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**APPEARANCES:**

**JOHN EVANS, ESQ.,  
ASSISTANT ATTORNEY GENERAL,  
APPEARING ON BEHALF OF THE STATE.**

**DEAN BRAULT, ESQ.,  
PUBLIC DEFENDER'S OFFICE,  
APPEARING ON BEHALF OF THE DEFENDANT.**

INDEXWITNESS NAMEPAGE**WILLIAM H. RANDALL**

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~~P-R-O-C-E-E-D-I-N-G-S~~

1  
2  
3 (10:10 a.m. Whereupon proceedings commence, in the  
4 absence of the jury, as follows:)

5 THE COURT: All right. Counsel, I'll let you know  
6 that sometime between 2:00 and 2:30 I'm going to have to take  
7 a break this afternoon for Grand Jury returns. So -- and I  
8 predict rain this afternoon.

9 All right. We all ready to go?

10 MR. EVANS: Yes, we are, Your Honor.

11 MR. BRAULT: I've got one issue I'd like to bring up  
12 before you bring the jury in. I'm going to make an objection  
13 to the State's continual display of Mr. Arredondo's mug photo  
14 on the ELMO system here. I believe that it is more  
15 prejudicial than probative to leave his photo up there.  
16 Identification is not an issue in this case.

17 I can understand the State asking each and every  
18 witness to identify the defendant with the mug photo that's  
19 been introduced into evidence, but I don't believe that the  
20 jury needs to see his face for any period of time at this  
21 point. And so I'd object to the State's continual display of  
22 it.

23 THE COURT: Okay.

24 I'm not sure that I'm aware of how much it was  
25 displayed because I couldn't see the screen.

1           Mr. Evans.

2           MR. EVANS: Your Honor, what's happened is we've put  
3 his mug shot up after the witness has identified the  
4 defendant, until we started using the ELMO for the other  
5 exhibits. I'm not sure how long it was up there any one  
6 particular time.

7           Also I'd note that the image was so terrible that  
8 I'm not sure they actually saw anything other than the  
9 outside. We've just now figured out how to get it so that we  
10 can actually see the person.

11          THE COURT: Okay.

12          MR. EVANS: But I will just briefly put it up after  
13 they have identified him, and then take it down and we'll move  
14 on.

15          THE COURT: Yeah, obviously, the photo's been  
16 admitted, so, you know, it will go back to the jury, after the  
17 evidence. So, I'll direct you to not leave it lingering on  
18 the screen.

19          MR. EVANS: We won't, Your Honor.

20          Thank you.

21          THE COURT: All right.

22          George, let's get them.

23          THE BAILIFF: Yes, sir.

24          (10:11 a.m. Jurors now present.)

25          THE COURT: All right.

1           Show we're on the record. CR-2003 2704, State of  
2 Arizona versus Aaron Arredondo.

3           Show the presence of counsel and the jury.

4           Mr. Evans.

5           MR. EVANS: William Randall, please.

6           THE COURT: Mr. Randall if you'd come on up and be  
7 sworn, please.

8  
9                                   WILLIAM H. RANDALL,  
10 having been first duly sworn, was examined and testified, as  
11 follows:

12  
13           THE COURT: Go ahead and have a seat.

14  
15                                   DIRECT EXAMINATION

16 BY MR. EVANS:

17           Q. Please state your name and spell your last name.

18           A. William H. Randall, R-A-N-D-A-L-L.

19           Q. We're here in the matter of Aaron Arredondo. Do you  
20 know the man?

21           A. Yes, I do.

22           Q. At the time you met him, what was your profession?

23           A. Attorney at law.

24           Q. And are you still an attorney at law?

25           A. I am not.

1 Q. And what were the circumstances under which you  
2 stopped being a lawyer in the state of California?

3 A. As a result of my pleading guilty in this case, I  
4 resigned from the State Bar in California.

5 Q. Show you what's marked as Plaintiff's Exhibit Number  
6 3, and ask you, do you recognize that document?

7 A. Yes, I do.

8 Q. And what is that?

9 A. This is a Legal Services Agreement or retainer  
10 agreement between myself and Aaron Arredondo.

11 MR. EVANS: Move Exhibit 3 into evidence.

12 THE COURT: Any objection?

13 MR. BRAULT: No.

14 THE COURT: Did you say it was three?

15 MR. EVANS: Three, yes.

16 THE COURT: Three is admitted.

17 BY MR. EVANS:

18 Q. So, you signed this agreement, and what's the date?

19 A. 12-30-99.

20 Q. So in 1999 you were still an attorney. Were you  
21 licensed to -- you were licensed to practice law in  
22 California?

23 A. That is correct.

24 Q. Any other state?

25 A. No.

1 Q. Were don't you tell the jury a little bit about your  
2 educational background to become a lawyer.

3 A. Okay. I've worked in aerospace and defense  
4 industries for about 20 years. I then went to night law  
5 school at the University of West L A in Culver City,  
6 California, obtained a degree. Took the bar exam, passed it.  
7 Started practicing law in 1972.

8 Had a general practice of law involving civil,  
9 criminal, and general practice.

10 Q. Let's talk about the period of 1994 to 1999. How  
11 was your practice?

12 A. Down the tubes, basically.

13 Q. And what was the problem?

14 A. Part of it was health, part of it was I wasn't  
15 getting clients.

16 Q. Did you file any income tax from 1994 until present?

17 A. No, I have not.

18 Q. Did you have any income between 1994 and 1999?

19 A. Not sufficient to file a tax return.

20 Q. So when you signed the, this retainer agreement,  
21 what were the terms of the retainer agreement?

22 A. To represent Aaron Arredondo and his various  
23 enterprises, in a retainer fee of \$10,000 per month.

24 Q. Was, in terms of your, at least your experience in  
25 1999 until 2000, was this an unusual retainer agreement?

1           A.    It is.  First one I ever had that paid those kind of  
2 fees.

3           Q.    And, approximately, during the lifetime of this  
4 contract you had with Aaron Arredondo, approximately how much  
5 money did you get?

6           A.    Approximately \$175,000.

7           Q.    And that's over a two-year period?

8           A.    Yes, sir.

9           Q.    Now, show you what has been marked and admitted as  
10 Exhibit 145.  Do you recognize that person?

11          A.    Yes, that's Aaron Arredondo.

12          Q.    Tell the jury how you first came in contact with  
13 Aaron Arredondo.

14          A.    In the fall of 1999 he was referred to me for some  
15 minor matter, the nature of which I don't recall at this time.  
16 I took care of that for him satisfactorily.  And then, a short  
17 time after that, I'm not sure just exactly how long, he called  
18 and requested an appointment to come to my office with a  
19 couple other gentlemen from SKB to just have a general  
20 conference between him, them, and me.

21          Q.    As a result of this conference, you signed this  
22 retainer agreement?

23               MR. BRAULT:  Objection, leading, and facts not in  
24 evidence.

25               THE COURT:  Sustained.

1 BY MR. EVANS:

2 Q. Was the retainer agreement before or after this  
3 meeting with the people from SKB and Aaron Arredondo?

4 A. At about the same time. I'm not sure if it was just  
5 before or just after; right about that same time.

6 Q. Now, when you, when you talked to Aaron, what was  
7 your understanding of the type of business he was in?

8 A. He was in a business which he described as being  
9 brick and mortar, wherein he would obtain investor money,  
10 enter into a Joint Venture Agreement using those funds to then  
11 develop a venture of one kind of another, and split the  
12 profits with himself and investors.

13 Q. So he didn't take any expenses out of the Joint  
14 Venture money?

15 A. No agreement that was ever signed provided for that.

16 Q. Did you review the Joint Venture Agreement that he  
17 was using?

18 A. Yes, I did.

19 Q. And did you tweak it, so to speak?

20 A. I believe I did.

21 Q. Now, we've heard testimony that one of the keys to  
22 this investment program was that the principal of the  
23 investment was not at risk.

24 A. That is true, that was supposed to be the primary  
25 aspects of the arrangement.

1 Q. And there has also been testimony regarding the  
2 Gilbert Family Trust; are you familiar with that?

3 A. Yes, I am.

4 Q. Tell the jury how you first became aware of the  
5 Gilbert Trust, and what you did regarding the Gilbert Trust.

6 A. Aaron explained to me that he had been involved in  
7 this business for some period of time prior to my meeting him,  
8 and that the arrangement that he made with the Joint Venture  
9 partners were based upon the Joint Venture Trust, or the,  
10 excuse me, Gilbert Family Trust. And he provided me a copy of  
11 the documents signed by Gilbert.

12 THE COURT: Counsel approach a minute.

13 (Whereupon the Court and counsel confer at the  
14 bench, on the record, out of the hearing of the jurors, as  
15 follows:)

16 MR. EVANS: That was it.

17 THE COURT: Okay. All right.

18 MR. BRAULT: Judge, while we're up here, I'll bring  
19 out an exception that the Court's previous ruling about  
20 attorney/client privilege has been already ruled on as part of  
21 the case. But formally I'm going to object to the statements  
22 made by Mr. Randall regarding the conversations with  
23 Mr. Arredondo, in terms of feeling this violates  
24 attorney/client privilege.

25 I know the Court's already ruled on that, ruled on

1 it before I even got involved in this case, but just to  
2 preserve the issue, I need to object.

3 THE COURT: Do you want me to show that as a  
4 continuing objection?

5 MR. BRAULT: Yes.

6 THE COURT: All right. Then you did make it once  
7 and we'll show it as a continuing.

8 MR. BRAULT: Can we just show that it's been now?

9 THE COURT: Sure, absolutely.

10 MR. BRAULT: Okay. Thank you.

11 THE COURT: Absolutely.

12 (Whereupon proceedings continued in open court, on  
13 the record, as follows:)

14 BY MR. EVANS:

15 Q. Show you what's been marked and admitted as State's  
16 Exhibit Number 1; do you recognize that document?

17 A. Yes, I do.

18 Q. And what is it?

19 A. That is a document entitled Specific Power of  
20 Attorney, an agreement between Ronald Keith Gilbert and Aaron  
21 Arredondo, that enabled him to use the Trust as security for  
22 his investment programs.

23 Q. Now, there -- why don't you describe for the jury  
24 what, how a Specific Power of Attorney operates, in theory.

25 A. It's a document that allows another person who is

1 the attorney in fact to then conduct business and do things on  
2 behalf of the person granting that power.

3 Q. And in this case, Keith Gilbert is granting to Aaron  
4 Arredondo whatever power he has over the Gilbert Family Trust?

5 A. Yes.

6 MR. BRAULT: Objection, leading.

7 THE COURT: Overruled, at this point.

8 THE WITNESS: That's my understanding.

9 BY MR. EVANS:

10 Q. Did you ever talk -- have a conversation with Ron  
11 Gilbert about this Specific Power of Attorney?

12 A. Not in any kind of detail.

13 Q. Once you got this, did you make inquiries with the  
14 Trust itself regarding what -- regarding Mr. Gilbert's  
15 position regarding the Trust?

16 A. Yes, I did.

17 Q. And what did you do?

18 A. I wrote a letter to who I believed at the time was  
19 the Trustee, or the attorney for the Trustee. They responded  
20 denying that --

21 Q. Wait, let's not get ahead of ourselves.

22 Show you what's been marked as State's Exhibit  
23 Number 2, and ask you if you recognize that document?

24 A. Yes, I do.

25 Q. And what is that document?

1           A.    It is a letter that I prepared on December 23rd,  
2 1999, to Aspire International, which was Aaron Arredondo's  
3 business organization, and referring to the Gilbert Trust.

4           Q.    And what would -- go ahead.

5           A.    Just basically referring to the Trust and what he  
6 should do in order to use that Trust.

7           MR. EVANS:  Move Number 2 into evidence.

8           THE COURT:  Any objection to 2?

9           MR. BRAULT:  No, Your Honor.

10          THE COURT:  Two is admitted.

11 BY MR. EVANS:

12          Q.    Now looking at Number 2, what are you offering your  
13 Trust account to do?

14          A.    To provide a safe and secure depository for funds  
15 which he would receive and for which ultimately Ronald Keith  
16 Gilbert could be responsible.

17          Q.    Now, in any case that -- it provides strict controls  
18 to ensure management and administration of Trust funds in the  
19 second paragraph?

20          A.    Yes.

21          Q.    With a deposit in accordance with the depositor's  
22 directions.  That's what it says?

23          A.    Yes, correct.

24          Q.    Why did you write this letter?

25          A.    I don't recall specifically, but I would think it

1 was for the purpose of showing him that there was, in fact, an  
2 Attorney/Client Trust Account available.

3 Q. Now, it also indicates in the fourth paragraph that  
4 such accounts are internally controlled in this office by the  
5 creation and administration of sub accounts segregated by  
6 clients investigating the possibility of commingling of funds.  
7 You didn't have an office administrator, correct?

8 A. Correct.

9 Q. So anything that was done here would have been what  
10 you did?

11 A. Correct.

12 Q. Did you actually set up sub accounts by depositor or  
13 by client?

14 A. No.

15 Q. Now, show you what's been marked as State's Exhibit  
16 Number 4; do you recognize that letter?

17 A. Yes, I do.

18 Q. And what is it?

19 A. It's a letter from me to Dorothy M. Gilbert, the  
20 Trustee of the Frank H. Gilbert Family Trust.

21 MR. EVANS: Move 4 into evidence.

22 THE COURT: Any --

23 MR. BRAULT: No objection.

24 THE COURT: Four is admitted.

25 BY MR. EVANS:

1 Q. What's the purpose of this letter?

2 A. To inquire into what I believed were due  
3 distributions to Ronald Keith Gilbert under his terms, to  
4 Ronald K. Gilbert.

5 Q. And what's the date of this letter?

6 A. January 3rd, 2000.

7 Q. So based on, we'll step ahead and show you what's  
8 been marked as State's Exhibit Number 6. Will you just look  
9 at a few pages of that document. Do you recognize --

10 A. This is --

11 Q. Go ahead. What is this?

12 A. This is the Frank H. Gilbert Family Trust.

13 MR. EVANS: Move 6 into evidence.

14 THE COURT: Any objection?

15 MR. BRAULT: I think there needs to be a little bit  
16 more foundation as to the source.

17 BY MR. EVANS:

18 Q. Where did you get this Frank Gilbert Trust?

19 A. It came to me from Ron Gilbert, and I'm not sure at  
20 this point if it came to me directly or came to me through  
21 Aaron.

22 Q. In your -- and you reviewed this document, and based  
23 upon this document is the basis for the letter?

24 A. Correct.

25 MR. EVANS: Move Number 6 into evidence.

1 MR. BRAULT: No objection.

2 THE COURT: Six is admitted.

3 BY MR. EVANS:

4 Q. So in reading, how many pages is that document?

5 A. Appears to be about 35, or 34 with an attached  
6 schedule.

7 Q. Now your position according to this letter on  
8 January 3rd, was that Ron Gilbert was owed some money?

9 A. Yes.

10 Q. And if you had gotten that money, what would you  
11 have done with it?

12 A. That was to be obtained for Ron Gilbert; it was  
13 going to him.

14 Q. Now, did you receive a response from the Trust?

15 A. I did.

16 Q. And that's Exhibit 5, I believe.

17 A. Yes, it is.

18 Q. Would you look at the yellow tag on back.

19 A. I'm sorry. Yes, it's five.

20 Q. And could you identify that document for us.

21 A. It's a letter from the Gilbert -- or the, yeah, the  
22 Gilbert Family Trust, from their attorney to me, acknowledging  
23 my letter of January 3rd.

24 Q. And does it have your handwriting on it?

25 A. Yes, it does.

1 MR. EVANS: Move 5 into evidence.

2 MR. BRAULT: No objection.

3 THE COURT: Five is admitted.

4 BY MR. EVANS:

5 Q. Now, okay. What's the date of this letter?

6 A. January 13th, 2000.

7 Q. And what is the position of the attorneys for the  
8 Frank Gilbert Trust regarding whether Ron is owed anything?

9 A. Their position is that Ron Gilbert was not owed any  
10 money from the Trust at that time.

11 Q. Did you -- I notice in the first letter you didn't  
12 ask whether or not Mr. Ron Gilbert had the ability to encumber  
13 the whole corpus of the Frank Gilbert Trust; did you ever ask  
14 that question?

15 A. I never did.

16 Q. The when you got this letter, did you tell Aaron  
17 about the result that you got from the Trust?

18 A. I don't recall specifically, but the general  
19 practice was that anything that came in about that whole  
20 operation, I relayed to him.

21 Q. So as of January 13th, you know that the Trustees in  
22 charge of the Frank Gilbert Trust, think Ron Gilbert is owed  
23 nothing and has no rights to the corpus of the Trust?

24 A. At that time.

25 Q. And what was, based upon your reading of the Trust,

1 what was the condition precedent for him to have access to any  
2 part of the Trust?

3 A. At the time I interpreted it to mean the passage of  
4 time, birth date, when he obtained, I believe there are three  
5 separate ages. Hence, certain distributions would be made  
6 upon the attainment of those ages.

7 Q. And re-reading it, what do you think?

8 A. I think now, that it's only interest accrues when  
9 the current Trustee dies.

10 Q. And the current beneficiary?

11 MR. BRAULT: Objection, leading.

12 THE WITNESS: The Trustee, the mother.

13 THE COURT: Sustained.

14 BY MR. EVANS:

15 Q. Oh, so, what is the condition precedent?

16 A. The mother who was currently the Trustee,  
17 Mrs. Gilbert, upon her death.

18 Q. Now is, also in this Trust, is there something  
19 called a spend thrift position?

20 A. There is.

21 Q. Could you tell the jury what that is.

22 A. That means that none of the beneficiaries can  
23 encumber the Trust for any purpose during the life of the  
24 Trust.

25 Q. Now, during your general practice, had you spent a

1 lot of time and energy doing Trusts and Trust law?

2 A. No, I had not.

3 Q. If you'd look at Exhibit 7.

4 A. Yes.

5 Q. What is that document?

6 A. Letter from me dated January 24th, to Ron Gilbert.

7 MR. EVANS: Move 7 into evidence.

8 MR. BRAULT: No objection.

9 THE COURT: Seven is admitted.

10 BY MR. EVANS:

11 Q. This letter was sent after you had received the  
12 letter from the Trustee's lawyer?

13 MR. BRAULT: Objection, leading, and facts not in  
14 evidence at this point.

15 THE COURT: All right. Sustained.

16 Let's rephrase.

17 BY MR. EVANS:

18 Q. What is the date of the letter from Mr. Haga?

19 A. January 13th.

20 Q. And he's the lawyer for who?

21 A. For the Frank H. Gilbert Family Trust.

22 Q. This letter is January 23rd?

23 A. 24th.

24 Q. 24th. And you wrote it to Ron Gilbert. In this, do  
25 you tell him about what the Trustees or the Trust's position

1 is regarding his right to any of the property in the Trust?

2 A. I don't tell him what the Trustee's position is. I  
3 do tell him what my interpretation is of those three  
4 distributions that he should have received.

5 Q. So let's deal with the final letter to the Trust.  
6 I'll show you what has been marked as Exhibit 8; do you  
7 recognize that?

8 A. Yes, I do.

9 Q. And what is Exhibit 8?

10 A. I'm sorry, I did not get the question.

11 Q. I'm sorry, what is Exhibit 8?

12 A. This is where I'm responding to them, in regard to  
13 their letter dated January 3rd, and telling them that I'm  
14 unclear to several points and asking them for some  
15 clarification on those points.

16 MR. EVANS: Move Exhibit 8 into evidence.

17 MR. BRAULT: No objection.

18 THE COURT: Eight is admitted.

19 BY MR. EVANS:

20 Q. Did you get a response to this letter, do you  
21 remember?

22 A. I don't recall a response to that letter.

23 Q. I want to call your attention to the last paragraph  
24 on the first page. What are you demanding?

25 A. A full accounting and audit for the benefit of the

1 beneficiaries.

2 Q. And your position in this letter is that -- what is  
3 your position in this letter regarding whether Ron Gilbert is  
4 owed money as of January 23rd?

5 A. My position is that he was owed money and the  
6 occurrence of the three birthdays which had occurred, and  
7 where he apparently didn't receive any funds.

8 Q. So you asked for a full accounting and audit for the  
9 benefit of the beneficiaries. Was there any follow-up to this  
10 letter?

11 A. None.

12 Q. I'd ask you to explain to the jury, why not?

13 A. I was negligent. Should have been; there wasn't.

14 Q. Do you remember having any conversation with Aaron  
15 Arredondo regarding whether or not to push for this audit?

16 A. No.

17 Q. So when you were dealing with people involved in the  
18 Joint Venture Agreement, did you see any disclosure to them  
19 that there were issues regarding the claim with the Frank  
20 Gilbert Trust?

21 A. No.

22 Q. Now, there was a -- how much did you think the Frank  
23 Gilbert Trust was worth?

24 A. 3.2 million dollars. Excuse me, Ron Gilbert's  
25 portion of the Trust.

1 Q. And how did you get those dollar amounts?

2 A. Provided to me by Aaron.

3 Q. Subsequent to that, did there come a time when --  
4 we've heard testimony from Mike Whitman, that there came a  
5 time when you needed more principal, more collateral to back  
6 the principal that was being invested than would be supported  
7 by the Frank Gilbert Trust; do you remember those  
8 circumstances?

9 A. Yes.

10 Q. Approximately in this period of time, 1999 to, let's  
11 say, 2002, when did that become an issue as far as you can  
12 remember?

13 A. 2001 or 2002.

14 Q. So what was the next alternative to the Frank  
15 Gilbert Trust?

16 A. To obtain some other satisfactory collateral source.

17 Q. We've heard testimony about something called a  
18 reserve fund cash certificate; were you involved in that?

19 A. Peripherally, yes.

20 Q. Did you have a conversation with Aaron Arredondo  
21 about this reserve fund cash certificate?

22 A. Yes.

23 Q. And what did he explain to you?

24 A. That it was a foreign document equivalent to the  
25 American certificate of deposit.

1 Q. And had you ever heard of a Reserve Fund Cash  
2 Certificate?

3 A. No.

4 Q. And what was your involvement with the fund? The  
5 certificate, getting the certificate?

6 A. I received a copy of the, what purported to be a  
7 copy of their Reserve Cash Certificate.

8 Q. Show you what's been marked as Exhibits 40, 41, 42,  
9 42-A, and 42-B. I want you to look at each one of those  
10 documents and I'm going to ask you some questions.

11 A. Okay. Okay.

12 Q. Now, 40 --

13 A. Yes, sir.

14 Q. Do you recognize that document?

15 A. I do.

16 Q. And what is it?

17 A. It's a SWIFT message transmitted to my bank in which  
18 it purports that Parex Bank, which is the bank that was  
19 supposed to come up with the Reserve Funds Certificate, and  
20 indicating to my bank that they had received the document.

21 Q. And this is addressed to you? I mean, you're the  
22 account holder?

23 A. It is, because I have the account at that bank.

24 MR. EVANS: Move 40 into evidence.

25 MR. BRAULT: No objection.

1 THE COURT: 40 is admitted.

2 BY MR. EVANS:

3 Q. So what's your understanding of what a SWIFT message  
4 is?

5 A. It's an interbank communication between national and  
6 international banks in which they relay all kind of financial  
7 information between the banks.

8 Q. Now, does this document say anything about the  
9 validity of the instrument, the Reserve Cash Certificate of  
10 6.5 million dollars?

11 A. Only that the transmitting bank is not taking any  
12 position on validity or lack of validity because they're  
13 transmitting it for somebody else. Then they're confirming  
14 they did, in fact, receive a document entitled Reserve Cash  
15 Certificate, six and a half million dollars.

16 Q. Now, turning to Exhibit 41.

17 A. Yes, sir.

18 Q. What's that?

19 A. This is a letter from me dated October 1, 2001.

20 Q. To whom?

21 A. It's addressed to International Trust bank, and it  
22 purports to give --

23 Q. We'll get into that.

24 MR. EVANS: Move 41 into evidence.

25 THE COURT: Any objection to 41?

1 MR. BRAULT: No, Your Honor.

2 THE COURT: 41 is admitted.

3 BY MR. EVANS:

4 Q. Okay. Showing you what is 41. Tell the jury the  
5 circumstances under which this document was created, please.

6 A. Aaron requested that I write up some document in the  
7 form of a letter indemnifying International Trust Bank against  
8 any claims made against that certificate, that Reserve Fund  
9 Cash Certificate.

10 Q. What does indemnification mean?

11 A. It would mean that if the, if somebody made a claim  
12 against the certificate, successfully, and obtained funds from  
13 that, then Aspire would have to refund or reimburse  
14 International Trust Bank for that amount.

15 Q. Now, Aspire International, that's not a corporation,  
16 is it?

17 A. It is not.

18 Q. What is the business organization, Aspire  
19 International?

20 A. They operate under several names, one of them was  
21 Aspire International, dba of Aaron Arredondo.

22 Q. So, essentially what this is saying, is that if --  
23 Aaron Arredondo's responsible for any claims against  
24 International Trust Bank?

25 A. Yes, sir, that's what it says.

1 Q. What did you do with this document?

2 A. Sent it to him.

3 Q. Sent it to who?

4 A. To Aaron.

5 Q. Did he tell you what he was going to do with it?

6 A. My understanding was he was going to send it on to  
7 somebody at International Trust Bank. Whether or not that  
8 ever occurred, I don't know.

9 Q. Showing you what has been marked as Exhibit 42; do  
10 you recognize that document?

11 A. Yes, I do.

12 Q. And what is the document?

13 A. It's a letter from my office to Mario Pino, dated  
14 October 1, 2001.

15 MR. EVANS: Move 42 into evidence.

16 MR. BRAULT: No objection.

17 THE COURT: 42 is admitted.

18 BY MR. EVANS:

19 Q. Explain to the jury what the purpose of this letter  
20 is.

21 A. I believe this was the payment of the premium from  
22 Aspire to the principle, International Trust Bank. It's the  
23 premium for obtaining the Reserve Funds Certificate. It's  
24 part of their retainer.

25 Q. Did Aaron ever tell you how expensive it was to get

1 a Reserve Fund Cash Certificate worth 6.5 million dollars?

2 A. I believe it was something in the range of \$700 to  
3 \$800,000.

4 Q. And how was this supposed to be used?

5 A. As collateral for his Joint Venture operations.

6 Q. And so for \$800,000, he'd have a claim on 6.5  
7 million dollars?

8 A. Correct.

9 Q. The potential of someone paying out over 6.5 million  
10 dollars, does that make any sense?

11 A. It did at the time. I looked at it as kind of an  
12 insurance policy.

13 Q. Now looking at 42-A, what's 42-A?

14 A. It's a letter from Baltic Trust who's the  
15 intermediary with the International Trust Bank, referring to  
16 my letter of October 10th, 2001.

17 Q. Your letter of October 1st?

18 A. Yes, their letter date October 10th, mine was  
19 October 1st.

20 MR. EVANS: Okay. Move 42-A into evidence.

21 MR. BRAULT: No objection.

22 THE COURT: 42-A is admitted.

23 THE WITNESS: It apparently gets to --

24 MR. EVANS: I'm sorry? Go ahead.

25 THE WITNESS: Apparently it --

1 MR. BRAULT: Objection, there's no question.

2 THE COURT: Yeah, sustained.

3 BY MR. EVANS:

4 Q. And what was the -- what were they asking you to do?

5 A. Well, they were telling Mr. Pino -- strike that.

6 They were telling me they had agreed with Mr. Pino that the  
7 300,000 was to be increased to 365,000, and where the funds  
8 should be wired.

9 Q. I'm going to show you what has been marked as 42-B.

10 A. Yes, sir.

11 Q. Do you recognize that document?

12 A. Yes, I do.

13 Q. And what is that document?

14 A. It reflects a Reserve Fund Certificate, or the 6.5  
15 million dollars, has a term of how long it's to be in effect.

16 Q. And how -- do you remember how you received this?

17 A. No, I don't.

18 Q. But what is your understanding of what this document  
19 represents?

20 A. That it is, in fact, a copy of the Reserve Fund  
21 Certificate and has got what appears to be an official seal on  
22 it. Responsible agency apparently in Latvia.

23 MR. EVANS: Move 42-B into evidence.

24 MR. BRAULT: No objection.

25 THE COURT: 42-B is admitted.

1 BY MR. EVANS:

2 Q. Okay. Okay. According to this document, where does  
3 the International Trust Bank Limited reside?

4 A. Latvia; in Riga, Latvia.

5 Q. You've talked about the fact that this was going to  
6 be used as collateral. Is there anything in this document  
7 that tells you how you make a claim on the, this Reserve Cash  
8 Certificate?

9 A. No, it does not.

10 Q. Do you know -- did you, in reference to 42-A, did  
11 you transmit the money that was asked for?

12 A. I don't recall specifically, but I'm sure we did.

13 Q. Show you what has been marked as Exhibit 94; what is  
14 this document?

15 A. This is a domestic outgoing wire transfer form  
16 generated by my office for \$187,500 to be wire transferred to  
17 a bank in New York. With the Bank ABN AMRO Bank, with a  
18 beneficiary of BBG Capital. And BBG Capital was accredited to  
19 ParexBanka, Riga, Latvia, account, which is International  
20 Trust Bank.

21 MR. EVANS: Move 94 into evidence.

22 MR. BRAULT: Um, if I might voir dire the witness on  
23 some foundational grounds?

24 THE COURT: Go ahead.

25 BY MR. BRAULT:

1 Q. Mr. Randall, the specific identifiers for credit to  
2 the ParexBanka, Riga, Latvia, that wasn't specifically where  
3 it was being directed by you, correct?

4 A. It was being directed by me to the AMRO Bank in New  
5 York.

6 Q. Right. Then from there it was going to be, maybe be  
7 going someplace else, right?

8 A. No, we instructed them where it was to go.

9 MR. BRAULT: Okay.

10 Thank you, Your Honor.

11 THE WITNESS: And it was to go to, on these bank  
12 transfers when you say further credit to some account, that  
13 means they have that account and they're going to credit it to  
14 that account. So they were instructed as to what to do.

15 MR. BRAULT: Thank you, Your Honor.

16 I have no further questions.

17 THE COURT: Any objection?

18 MR. BRAULT: No, Your Honor.

19 THE COURT: 94 is admitted.

20 BY MR. EVANS:

21 Q. And this \$194,000, is that how much it is?

22 A. \$187,500, sir.

23 Q. That was that one of the payments for the use of  
24 this Reserve Fund Certificate?

25 A. Yes, it was.

1 Q. Now, so you've got the Frank Gilbert Trust, you've  
2 got the Reserve Fund Certificate. What other, to your  
3 knowledge, what other assets were used to support the  
4 collateral in this Joint Venture Agreement?

5 A. Aaron was searching around trying to find other  
6 collateral, but I don't believe any other collateral was ever  
7 found.

8 Q. Now, did you run into a person by the name of Nick  
9 Singh?

10 A. Yes.

11 Q. Can you tell the jury what your contacts were with  
12 Mr. Singh?

13 A. Mr. Singh was introduced to me as a Joint Venture  
14 partner with Aaron Arredondo of longstanding, and that he  
15 would invest on behalf of himself and on behalf of investors  
16 that invested through him.

17 Q. And who introduced you to Mr. Singh?

18 A. I'm not sure there was actually an introduction, or  
19 he came in with Aaron Arredondo. Whether he just came in  
20 himself and said, hi, I'm Nick Singh. But then I knew his  
21 name.

22 Q. When you dealt with an investor directly, did you  
23 have files in your office that would track their agreement,  
24 and any correspondence with them, something like that for each  
25 one of the investors?

1           A.    No, I didn't.

2           MR. BRAULT:  Objection, compound.

3           THE COURT:  No, overruled.

4  BY MR. EVANS:

5           Q.    You didn't?  Where -- did you and Mr. Arredondo have  
6  an agreement as to where the official records of Aspire  
7  International would be?

8           A.    Yes.  That he maintained those in his office in Las  
9  Vegas.

10          Q.    So how would you find out who an investor was?

11          A.    Communication from Aaron.

12          Q.    And did you accumulate copies of the Joint Venture  
13 Agreement at some point?

14          A.    No, I did not.

15          Q.    Show you what's been marked as State's Exhibit  
16 Number 10; do you recognize that document?

17          A.    It's a letter written by me, January 26th, 2000, to  
18 Nick Singh.

19                MR. EVANS:  Move 10 into evidence.

20                MR. BRAULT:  No objection.

21                THE COURT:  Ten is admitted.

22  BY MR. EVANS:

23           Q.    What's the purpose of this letter?

24           A.    It says in the first paragraph it's a response to a  
25 request from Aspire International to provide you with the

1 following information. It then goes on to give him  
2 information about Aaron, claiming he has Trust assets of  
3 \$533,000 to collateralize the Joint Venture Agreement.

4 Q. What's the date of this?

5 A. January 26th, 2000.

6 Q. So --

7 A. I notice it wasn't signed, I don't know if it ever  
8 got sent or not.

9 Q. Do you know what this 553 -- \$533,000 was?

10 A. I know it never materialized.

11 Q. Now I'm going to show you what has been marked and  
12 admitted as Exhibit 14. Can you remind the jury of what this  
13 document is.

14 A. It's a letter dated March 6th, references Gilbert  
15 Trust/Joint Venture Agreement directed to Dear Aaron,  
16 purportedly signed by my office. It has a form of my  
17 letterhead, and a form of my disclosure, but it was not  
18 produced by me. And until this case was under way I never saw  
19 it.

20 Q. Now, okay, let's show the jury this. And can you  
21 see the screen over here more or less?

22 A. I believe so.

23 Q. Now you said, first of all, that's the letterhead on  
24 14. Is that the letterhead you use?

25 A. It's the right words but not in the right size and,

1 right font. It's not my letterhead, no.

2 Q. Comparing it with Exhibit 10, now, just -- you  
3 didn't have printed stationary, did you?

4 A. No.

5 Q. So this is all done by computer?

6 A. Yes, sir.

7 Q. Exhibit 10 --

8 A. I'd also point out that letter says there's  
9 21 million dollars in the Gilbert Trust.

10 Q. Well, we'll get to that.

11 A. Okay.

12 Q. Now, Exhibit 10, that's a letter that you created?

13 A. Yes.

14 Q. Okay. Now, isn't that, is that your custom and  
15 practice to sign with the initials W.R.?

16 A. Never.

17 Q. Why do you say never?

18 A. I never do. I've made it a practice all my  
19 professional life to never do that.

20 Q. Okay. And on the second part of this document, it  
21 says that it's -- 21 million dollars is the value of Frank  
22 Gilbert Trust. Based upon your knowledge of the Frank Gilbert  
23 Trust, is this accurate in any way or shape?

24 A. It is not. To the best of my knowledge the maximum  
25 was always no more than 3.2.

1 Q. Show you what's been marked as State's Exhibit  
2 Number 15. We were talking about the Reserve Cash  
3 Certificate. Can you tell the jury what Exhibit 15 is and  
4 what -- well, what 15 is.

5 A. This is a new proposed Joint Venture Collateral  
6 Agreement. This particular one submitted to Nick Singh, and  
7 representing that it would now be collateralized by the  
8 International Bank Cash Certificate, Reserve Fund Certificate.

9 Q. Did you create this document?

10 A. I didn't create it.

11 Q. Craft it? Just draft the document?

12 A. I either drafted it in the present form or modified  
13 some other one into this form. But I produced it, yes.

14 Q. Tell the jury, why you did that? What was the  
15 purpose of this?

16 A. I was instructed by Aaron that from that point  
17 forward the Joint Venture investments would be collateralized  
18 by the International Trust Bank Cash Certificate and this was  
19 to get the investors to accept that as a substitute for the  
20 Gilbert Trust.

21 Q. Did he explain to you why you were moving on from  
22 the Gilbert Trust?

23 A. Because the amount exceeded those funds that were  
24 available in the Gilbert Trust.

25 Q. At any time did other investors who didn't sign this

1 agreement, was an effort made to use the Frank Gilbert Trust  
2 to get that collateral back if they didn't sign this agreement  
3 for International Trust Bank?

4 A. If I understand the question correctly, yes. A lot  
5 of investors by that point, this was in, I believe, 2000,  
6 started wanting their principal refunded.

7 Q. So did you talk to Aaron about the fact that we have  
8 to, they want their principal back, we have to pay it, let's  
9 go after the Frank Gilbert Trust to get our money?

10 A. I think I asked him to contact Ron and start the  
11 machinery rolling for that to happen. But it never did.

12 Q. What would the machinery have been?

13 A. That was for him to work out with Ron Gilbert.

14 Q. So he didn't ask you, Mr. Arredondo didn't ask you  
15 to sue the Frank Gilbert Trust for control of the principal?

16 A. No. Only the certificate, the document itself, to  
17 maintain it, so I would have the original copy of the  
18 document, but not any conduct after that.

19 Q. So you had the original copy of the Power of  
20 Attorney?

21 A. Correct, that's the one.

22 Q. And that's all you had?

23 A. Correct.

24 Q. Any effort to use that power was completely  
25 dependent upon what Aaron wanted to do?

1 A. Yes, but it specifically granted the power to him.

2 Q. And he didn't ask to you assist him in going after  
3 the Frank Gilbert Trust?

4 A. No, he did not.

5 Q. Now, continuing the discussion with Nick Singh, show  
6 you what's been marked as Exhibit 18; do you recognize that  
7 document?

8 A. It's a letter on my letterhead to, dated April 5th,  
9 2000, to Aaron talking about the Joint Venture payment  
10 dispersement.

11 MR. EVANS: Move 18 into evidence.

12 MR. BRAULT: I don't think there's sufficient  
13 foundation, Judge, so I'm going to object.

14 BY MR. EVANS:

15 Q. What -- what was the purpose of this memorandum?

16 A. This was for me to confirm to Aaron that I followed  
17 his instructions as far as setting aside certain check numbers  
18 for payments to Nick Singh.

19 Q. And was this a normal course of business between you  
20 and Aaron that you would write a memo saying, I'm setting  
21 aside these checks?

22 A. No. As far as I recall, this was the first time  
23 that ever happened.

24 Q. First and last?

25 A. And last.

1 Q. Did Aaron explain to you why he needed this memo?

2 A. Let me correct that last. There may have been other  
3 set aside checks, but if there were there wasn't very many.  
4 There might have been one or two other investors, I'm not  
5 sure.

6 Q. I forget the exhibit number, what is it, 18?

7 A. 18, sir.

8 MR. EVANS: Move 18 into evidence.

9 MR. BRAULT: Just one voir dire question, or  
10 foundation question.

11 THE COURT: Go ahead, Mr. Brault.

12 BY MR. BRAULT:

13 Q. Did you draft that memorandum that's listed in  
14 number 18?

15 A. I believe so, yes.

16 MR. BRAULT: No objection, Your Honor.

17 THE COURT: 18 is admitted.

18 BY MR. EVANS:

19 Q. Okay. I want to direct your attention to the second  
20 sentence of the first paragraph. What does that mean?

21 A. Means that checks have been set aside but not, not  
22 issued, or transmitted, pending his receipt from accounts  
23 receivable which are due but not yet received.

24 Q. So did you actually write check 663 in the amount of  
25 \$176,500 to Nick Singh and put it somewhere pending receipt of

1 this money?

2 A. I don't believe so. I think I just made a note on  
3 the, in the check register.

4 Q. And you're awaiting money directly from Aaron,  
5 correct?

6 A. Correct.

7 Q. When you received money from Aaron, did you know  
8 what source?

9 A. Sometimes, yes; sometimes, no.

10 Q. And how would you find out that money had been  
11 deposited into your account?

12 A. The typical way was that he would call me and say  
13 that a certain amount of funds were coming in from --  
14 sometimes he'd identify the source, and sometimes not. But a  
15 certain amount of money was being deposited.

16 Q. And did you know whether this was an investor with  
17 Aaron or a return on an investment that Aaron had made?

18 A. I never knew for sure. Could have been either one.

19 Q. But based upon your total experience with those  
20 accounts, did you come to an opinion as to where the money was  
21 coming from?

22 A. Some time later, yes. Came to believe that  
23 basically all, if not all, investor funding.

24 Q. Okay. Show you what has been marked as Exhibit 38,  
25 and then 37. Still talking about Nick Singh.

1 A. Yes, sir.

2 Q. 38, what is that?

3 A. That appears to be a letter that was faxed to me on  
4 January 19th, 2001, although it's got handwritten notes giving  
5 a year prior to that, to me from Nick Singh references his  
6 Joint Venture Agreement.

7 Q. And 37, what is that?

8 A. That appears to be a spreadsheet transmitted to me  
9 by Nick Singh, and it looks like May 1, 2001.

10 Q. Now going back to 37, do you remember receiving this  
11 document?

12 A. I'm sorry?

13 Q. Do you remember receiving this document?

14 A. Yes.

15 Q. And when you receive a document like this, what  
16 would you do?

17 A. Send a copy to Aaron.

18 MR. EVANS: Move 37 into evidence.

19 THE COURT: Any objection?

20 MR. BRAULT: No, Your Honor.

21 THE COURT: 37 is admitted.

22 BY MR. EVANS:

23 Q. Now this document is dated 1 -- well, faxed  
24 1-19-2000.

25 A. It appeared to be dated 2001 and appears to have

1 been faxed in 2000. So --

2 THE COURT: I'm sorry, Mr. Evans, are you referring  
3 to 37 or 38?

4 MR. EVANS: 37.

5 THE COURT: Okay.

6 BY MR. EVANS:

7 Q. But the fax date is handwritten, correct, it's not  
8 machine?

9 A. Correct.

10 Q. Mr. Singh has asked -- well, asking that certain  
11 money be sent to certain parties?

12 A. Yes. Nick Singh and Deo Singh.

13 Q. Okay. Just looking at the bottom of this, in order  
14 for you to send this money out, what would have to happen?

15 A. I would have to have approval instructions from  
16 Aaron.

17 Q. Do you know if you got instructions from Aaron to  
18 send this money to Mr. Singh?

19 A. No, I don't.

20 Q. By, assuming this is actually January of 2001, were  
21 you running into problems paying investors?

22 A. I don't know by in January or not, but during 2001,  
23 yes.

24 Q. Now, Exhibit 38, you said this is a document, also a  
25 list of investors sent to you by Nick Singh?

1 A. Yes.

2 Q. And do you remember this document?

3 A. Yes.

4 MR. EVANS: Move 38 into evidence.

5 MR. BRAULT: No objection.

6 THE COURT: 38 is admitted.

7 BY MR. EVANS:

8 Q. Sorry. On the, on one side of the document -- right  
9 and left are a real problem for me when I'm looking at the  
10 screen and things upside down -- there are a list of people.

11 A. Yes, left-hand side.

12 Q. Do you recognize who those people are?

13 A. Yes, I recognize all the names.

14 Q. And who are these people?

15 A. People who invested with Aaron through Nick Singh.

16 Q. Once again, when you got this kind of information,  
17 what did you do with it?

18 A. Immediately transmit it to Aaron.

19 Q. And if you generate -- wrote any checks to these  
20 people, who approved them?

21 A. Aaron. The approval would come first, then the  
22 check writing.

23 Q. Show you what's been marked as State's Exhibits 48,  
24 49, 50, and 51.

25 A. Yes, sir.

1 Q. What are those documents?

2 A. These are copies of checks issued by my office on  
3 the Attorney/Client Trust Account.

4 Q. When you say "my office," that's you?

5 A. Yes.

6 Q. And it's from your Trust Account?

7 A. Yes.

8 Q. And, in fact, your Trust Account is the only account  
9 you have --

10 MR. BRAULT: Objection, leading.

11 THE COURT: No, overruled.

12 THE WITNESS: I had other accounts, but this was the  
13 only active account.

14 BY MR. EVANS:

15 Q. So 48 is a check to whom?

16 A. Nick Singh, in the amount of \$5,000, date of April  
17 4th, '01.

18 MR. EVANS: Move 48 into evidence.

19 MR. BRAULT: No objection.

20 THE COURT: 48 is admitted.

21 MR. EVANS: Well, I'll move 48, 49, 50, and 51 into  
22 evidence.

23 MR. BRAULT: No objection.

24 THE COURT: 48 through 51 are admitted.

25 BY MR. EVANS:

1 Q. So just tell us who the checks are to and for how  
2 much.

3 A. Exhibit 49 was a check to Deo Singh, April 4th, '01,  
4 \$5,000.

5 Exhibit 50 was a check to Rob Basile, 2-27-01,  
6 \$3,500.

7 Number 51 is check a to Ted Walsh, \$5,000, the date  
8 April 4th, '01.

9 Q. Now, if you look at Exhibit 37, no, 38, what I have  
10 on the board, is that 37? That is 37. You've just listed  
11 some checks of 5,000 and \$3,500, issued in -- what were those  
12 dates, in April?

13 A. I believe three of them were in April, April 4th,  
14 and one of them February 27th.

15 Q. Do those in any way correspond to the yield due and  
16 amount due according to the chart that Mr. Singh has sent you?

17 A. I never compared them and I can't read those numbers  
18 from here.

19 Q. Okay. All right.

20 THE COURT: Mr. Evans, let's go ahead and take a  
21 very short morning break.

22 About eight minutes are so, folks. So please be  
23 ready to come back in at about 11:27 or so.

24 You're excused.

25 (11:18 a.m. Whereupon the jury is excused and

1 leaves the courtroom, and proceedings continue in their  
2 absence, as follows:)

3 THE COURT: Show the jury has left.

4 Mr. Evans, I think that you, on the record, confused  
5 37 and 38, because you said one thing initially, then said  
6 something else when I asked but it.

7 MR. EVANS: Right.

8 THE COURT: Do you need to clarify that at all?

9 MR. EVANS: It's Exhibit 37 that they were looking  
10 at on the board.

11 THE COURT: So 37 is the spreadsheet?

12 MR. EVANS: Yes, it is.

13 THE COURT: And 38 is the fax?

14 MR. EVANS: Yes.

15 THE COURT: Okay. All right.

16 (Whereupon proceedings were recessed.)

17 (11:30 a.m. Whereupon proceedings continued, as  
18 follows:)

19 THE COURT: All right. Show we're back on the  
20 record.

21 Show counsel are present; jury not.

22 This particular jury picked up on the same thing I  
23 was asking about, Exhibit 37 and 38.

24 MR. EVANS: Okay. We'll go back over it.

25 THE COURT: Okay.

1 Bring them in, George.

2 MR. EVANS: Sorry.

3 THE CLERK: That's okay.

4 THE COURT: I can just tell them that 38 is the  
5 spreadsheet, and 38 is the fax, if you'd like.

6 MR. EVANS: No, I'll show it to them. And so --

7 THE COURT: Okay. At least we know somebody's  
8 paying attention.

9 MR. EVANS: Yeah, thank God.

10 (11:33 a.m. Jurors now present.)

11 THE COURT: All right.

12 Show we're back on the record now, the jury has  
13 joined us.

14 I received a question indicating concern about the  
15 exhibits.

16 Mr. Evans.

17

18 WILLIAM H. RANDALL,

19 previously sworn and examined, resumes the witness stand and  
20 further testifies, as follows:

21

22 DIRECT EXAMINATION (CONTINUED)

23 BY MR. EVANS:

24 Q. Yes, I did a thorough job of screwing everything up.

25 So, just for the record, I'm now showing the jury

1 what is Exhibit 37, which has previously been identified as a  
2 spreadsheet, as of 18 January 2001.

3 And then 38 has been previously identified as the  
4 fax with the 1-19-00 handwritten on the right side, and then  
5 the date of 1-19, 2001, in the text.

6 Okay. You previously talked about -- previously you  
7 talked about the fact that at a certain point in time a lot of  
8 investors were asking for their money back.

9 Show you what's been marked as Exhibit Number 70; do  
10 you recognize that document?

11 A. Yes, I do.

12 Q. And briefly describe the document.

13 A. It's letter from me dated June 15th, 2001, addressed  
14 to Deo Singh, with a carbon copy to Nick Singh.

15 MR. EVANS: Move 70 into evidence.

16 MR. BRAULT: No objection.

17 THE COURT: 70 is admitted.

18 THE WITNESS: And in this I acknowledge receipt of a  
19 fax message from them dated 6-13, two days previous, and it's  
20 an attempt to clarify and respond to statements contained in  
21 their message.

22 BY MR. EVANS:

23 Q. And what was the overall, what did -- what did they  
24 want in their message?

25 A. A portion of one statement had to do with, quote,

1 supposed to be protected by the Trust that you control, close  
2 parens, close quotes. And I respond that I do not control the  
3 Trust, which has apparently been pledged by Aspire as  
4 collateral for the principal, and that I never represented I  
5 controlled it and so forth.

6 His next area of concern was, quote, I asked a few  
7 months ago to liquidate the Trust, and you said the  
8 liquidation had been investigated.

9 Q. Did you say that?

10 A. And my response was: To the best of any knowledge I  
11 have never spoken to you about this or any other subject. I  
12 did state to Nick that Aaron reported that he was working with  
13 a Trust concerning foreclosure of the collateral. In other  
14 words, I merely relayed information received from the Joint  
15 Venture manager.

16 And his other concern was: I should remind you the  
17 only reason I decided to participate in the Aspire Venture is  
18 because it was backed by the Trust and your involvement as an  
19 attorney of good standing.

20 My response was: I am in no position to have the  
21 above information. I was never in communication with you,  
22 never made any representations to you.

23 Q. Now, on this second page, I've highlighted some  
24 sections. Mr. Deo Singh and Nick Singh talk about the FBI?

25 A. I have no further recollection of their letter but

1 it appears from here that they did. Because I respond that I  
2 have no information as to any FBI agents that you referred to  
3 in your letter.

4 Q. Then, the first sentence of the next paragraph talks  
5 about a Ponzi scheme. Can you tell the jury what your  
6 understanding of a Ponzi scheme is.

7 A. It's where the operator of the scheme obtains  
8 investment money from investors and uses the money received  
9 from later investors to pay money back to the original  
10 investors. So it formed a pyramid.

11 Q. And what is your response to that?

12 A. Well, I say -- do you want me to read it verbatim?

13 Q. Well, let me -- I'm going to ask the questions.  
14 Before you responded, did you talk to Aaron?

15 A. I'm sure I did. Because any time I received any  
16 kind of communication from his investors I would talk to him  
17 about it.

18 Q. Now by June 15th of 2001, were you having problems  
19 getting a hold of Aaron?

20 A. Not most of the time. Generally I could reach him  
21 anytime I wanted to.

22 Q. Okay. So in responding "no" the way you are, is  
23 this a joint collaboration between you and Aaron, or just  
24 solely your idea?

25 A. It would be a collaboration, a collaborative effort.

1 Q. Okay. The last sentence of the second paragraph,  
2 you say, well, the last two sentences: His responsibility is  
3 to obtain trust collateral sufficient to replace program  
4 principal. He advises that he is doing that.

5 On June 15th or about there, what did he advise you  
6 that he was doing in order to get collateral sufficient to  
7 replace program principal?

8 A. I'm not sure if that's the period where he was  
9 working on that International Trust certificate or not. Or  
10 whether he was just initiating, trying to locate a collateral  
11 source.

12 Q. So as of June 15th, what you're saying is that you  
13 did not have sufficient collateral to back the principal of  
14 the investment that had been fronting this program?

15 A. I believe that's a correct statement.

16 Q. Okay. Now talking about the third paragraph on that  
17 second page.

18 A. Okay.

19 Q. The jury has seen a number of Joint Venture  
20 Agreements. And on the Joint Venture Agreement it has 45 days  
21 in which the default is to be cured. But what do you say in  
22 this letter, in this paragraph?

23 A. The contract does not set forth a time period in  
24 which the trust collateral must be foreclosed on. I suggest  
25 you communicate with Aaron and request additional information

1 on this issue.

2 Q. So what are you saying? If the 45 days, if the  
3 default is not cured within 45 days, there's no time period  
4 for anybody to do anything regarding the trust collateral?

5 A. Correct. No provisions provided in the document  
6 that says after 45 you can do whatever.

7 Q. And finally, you, as the holder of this Trust  
8 account, what is your legal position regarding people who were  
9 putting money in your Trust account and Aaron Arredondo?

10 A. The people putting money in or depositing to the  
11 account of Aaron, Aaron's my client. I owed him duties under  
12 the Trust account as a client, not to people who deposited in  
13 his account.

14 Q. When you talked to investors, did you get the  
15 impression that they thought you had a duty to them?

16 A. Not initially. But as time went on problems became  
17 apparent in either them wanting their profits and in receiving  
18 their refund, yes.

19 Q. Now, you mentioned earlier about SKB. Who are those  
20 people?

21 A. SKB were two people, Mark Sinkinson and Phil Berlin.  
22 They were brought into my office by Aaron, introduced to me,  
23 and we just had a general get acquainted type session. And  
24 they represented themselves to be and appeared to be very  
25 successful businessmen who had a previous relationship with

1 Aaron.

2 Q. Did you get involved in dealing with subsequent  
3 investments of SKB Trading?

4 A. Yes.

5 Q. Show you what's been marked as Plaintiff's Exhibit  
6 Number 19; do you recognize that document?

7 A. Yes.

8 Q. What is 19?

9 A. It's a Joint Venture Agreement between Aspire and  
10 the principles of SKB.

11 Q. And did you draft this agreement?

12 A. I believe so, yes.

13 Q. Okay. In addition there are two attachments to this  
14 agreement. Attachment A is the what?

15 A. The Specific Power of Attorney from Ronald Gilbert  
16 to Aaron Arredondo.

17 Q. And Exhibit B?

18 A. It's a letter from me dated April 5th, 2000, a  
19 general letter, not addressed to anybody in particular, just  
20 to whom it may concern, and: This office has been retained to  
21 receive and disburse, under the direction of the Joint Venture  
22 Manager, all deposits and installments with regard to the  
23 Aspire International Joint Venture transactions.

24 We've also been instructed to hold in trust the  
25 documents, the Specific Power of Attorney, over the Gilbert

1 Family Trust assets with a projected value in excess of one  
2 million dollars.

3 MR. EVANS: Move 19 into evidence.

4 MR. BRAULT: No objection.

5 THE COURT: 19 is admitted.

6 BY MR. EVANS:

7 Q. Now, showing you what's been marked as Exhibit 21.  
8 It consists of three pages. I want you to look at all three  
9 pages and then I'm going to ask you some questions.

10 A. Yes, sir.

11 Q. Do you recognize these documents?

12 A. Yes, I do. I've seen them, yes.

13 Q. Now, there are signatures on -- just briefly  
14 describe what each page is.

15 A. The first page is on a document that contains a  
16 representation of my letterhead, and a representation of my  
17 signature, and appears to be directed to Aaron.

18 It says: Per your request, I'm enclosing the  
19 breakdown of the Gilbert Trust as mentioned in your most  
20 recent Joint Venture Agreement. If you have any questions  
21 please feel free to call.

22 Q. Okay. What's the next page?

23 A. I might point out on there that it's not my  
24 signature.

25 Next one appears to be an account statement, showing

1 a description of what is supposed to be in the Gilbert Trust,  
2 and adding up to total of \$3,147,282.98.

3 Q. And what's the third page?

4 A. This is, again, is a document on my letterhead,  
5 dated July 31, 2000, sent to SKB Trading Group.

6 It says: Following is the current Gilbert Trust  
7 Account Summary that we recently discussed, showing the same  
8 total in that account as we talked about.

9 Q. And did you sign this document?

10 A. That one does appear to be my signature.

11 Q. Okay.

12 MR. EVANS: Why don't we divide this up into -- the  
13 first two pages, it would be 21-A, and the third page, it  
14 would be 21-B.

15 Then I'll move 21-B into evidence.

16 MR. BRAULT: No objection.

17 THE COURT: 21-B is admitted.

18 BY MR. EVANS:

19 Q. Now, as part of SKB, you talked about the Frank  
20 Trust being available, Frank Gilbert Trust being available to  
21 the tune of about a one million dollars.

22 Show you what's been marked as Exhibit 23, and  
23 Exhibit 25.

24 23, do you recognize that document?

25 A. I have seen it.

1 Q. What does it purport to be?

2 A. A letter on what appears to be my letterhead, dated  
3 August 2nd, to Aaron.

4 Q. Does it have a signature on it?

5 A. Yes.

6 Q. Is it your signature?

7 A. It is not.

8 Q. Okay. The next exhibit, what is that?

9 A. This one appears to be my proper letterhead, dated  
10 October 12th, to Mark Sinkinson. And it says that: This will  
11 acknowledge that of the Trust Account assets earmarked for the  
12 purpose of being pledged as collateral in Gilbert Trust Joint  
13 Venture transactions in the amount of \$3,200,000 is  
14 unencumbered cash or cash equivalents. Is further  
15 specifically earmarked for the account of SKB Trading pursuant  
16 to instructions therefore received by this office. It is  
17 further acknowledged these funds are to remain unencumbered  
18 during the period of the above-referenced agreement.

19 MR. EVANS: Move 25th into evidence.

20 MR. BRAULT: No objection.

21 THE COURT: 25 is admitted.

22 BY MR. EVANS:

23 Q. Now, how much was, according to you, how much was  
24 the Gilbert Family Trust worth in the year 2000?

25 A. 3.2 million.

1 Q. So as of October 12th, 2000, you said that all 3.2  
2 million dollars of the Frank Gilbert Trust is pledged to SKB?

3 A. Yes.

4 Q. And that you further acknowledge that these funds  
5 can't be encumbered for any other person or joint venture?

6 A. Correct.

7 Q. Who instructed you to do this?

8 A. Aaron.

9 Q. So as of October 12th, 2000, there's nothing left,  
10 allegedly, in the Frank Gilbert Trust?

11 A. For as long as that earmark is in effect, that's  
12 true.

13 Q. Showing you what's been marked as State's Exhibit  
14 Number 26; what's that?

15 A. October 24th, 2000, letter, on my letterhead, to  
16 SKB.

17 Q. And you wrote this?

18 A. Yes.

19 MR. EVANS: Move 26 into evidence.

20 MR. BRAULT: No objection.

21 THE COURT: 26 is admitted.

22 BY MR. EVANS:

23 Q. Just briefly summarize, what was the purpose of this  
24 letter?

25 A. It's on my exam of the Frank H. Gilbert Family Trust

1 document and believe that it authorizes the issuance of the  
2 Joint Venture Agreement thereunder.

3 Q. You've since changed your mind?

4 A. Yes.

5 Q. Show you what's been marked as 29, what's that?

6 A. This is memo from me to Aspire, concerning SKB,  
7 dated, 11-02, 2000, to advise SKB that their Joint Venture  
8 payments will be delayed for period of seven to ten days  
9 and --

10 Q. That's all right.

11 MR. EVANS: Move 29 into evidence.

12 MR. BRAULT: No objection.

13 THE COURT: 29 is admitted.

14 BY MR. EVANS:

15 Q. How long have you been a lawyer?

16 A. 30 years, thereabouts.

17 Q. Okay. Can you see that?

18 A. No, I can't read it, but I can see it on the board.

19 Q. Okay. Let me do it this way.

20 Okay. Now, um, would you explain, first of all, did  
21 you write this on your own, or who would you talk to before  
22 you wrote this letter?

23 A. I wrote it under Aaron's direction.

24 Q. Could you explain really what this says.

25 A. There's going to be delay in payment to them because

1 other accounts receivables that Aaron was anticipating had not  
2 yet resulted in funds, and there were continuous delays, so,  
3 at some point, going to be paid.

4 Q. What, what does the phrase, "due to certain  
5 non-compete and non-circumvention issues which arose between  
6 certain of the associated buyers and sellers of Joint Venture  
7 products," what does that mean?

8 A. It represented problems that Aaron was having with  
9 other people he was dealing with, under the Joint Venture  
10 Agreement. And those agreements all contained non-compete and  
11 non-circumvention provisions under which we could not then go  
12 back to SKB and say I have a deal with the XYZ Company which  
13 hasn't paid off so I can't pay you. He couldn't identify the  
14 XYZ Company.

15 Q. Oh.

16 A. And, of course, obviously the intent was to slow SKB  
17 down, give them a chance to recover.

18 Q. And at a certain point in time did SKB sue you?

19 A. Yes.

20 Q. And that was approximately when?

21 A. It was the year 2001 or 2002, I'm not sure.

22 THE COURT: Mr. Evans, might this be a good time to  
23 take the lunch break?

24 MR. EVANS: I think more than fine, Your Honor.

25 THE COURT: Okay.

1 All right, folks, remind you of the admonition,  
2 don't discuss the case or let anyone discuss it in your  
3 presence. Keep your jury badges on. Try to be back, ready to  
4 go, right at 1:30.

5 You're excused.

6 (11:55 a.m. Whereupon the jury is excused and  
7 leaves the courtroom, and proceedings continue in their  
8 absence, as follows)

9 THE COURT: Okay. See you after lunch, guys.

10 MR. EVANS: Yeah. Thank you, Your Honor.

11 (Whereupon proceedings were recessed.)

12 (1:37 p.m. Whereupon proceedings resumed, in the  
13 absence of the jury, as follows:)

14 THE COURT: Shall we get Mr. Randall back up?  
15 Anything else we need to take up?

16 MR. EVANS: I don't believe so, Your Honor.

17 THE COURT: Okay.

18 Get them, George.

19 (1:38 p.m. Jurors now present.)

20 THE COURT: All right. Show we're back on the  
21 record in CR-2003 2704, State of Arizona versus Aaron  
22 Arredondo.

23 Show the jury has joined us.

24 Back to you, Mr. Evans.

25 MR. EVANS: Thank you.

1 WILLIAM H. RANDALL,  
2 previously sworn and examined, resumes the witness stand and  
3 further testifies, as follows:  
4

5 DIRECT EXAMINATION (CONTINUED)

6 BY MR. EVANS:

7 Q. Just wrapping up on the SKB people, I'll show you  
8 what has been marked as Plaintiff's Exhibit 144, and ask if  
9 you recognize that document?

10 A. I have seen it before.

11 Q. It has a signature on it, correct?

12 A. Yes, it does.

13 Q. Is that your signature?

14 A. It is not.

15 Q. And it has a letterhead on the top. Whose  
16 letterhead does it purport to be?

17 A. Purports to be mine.

18 Q. Do you know anything about the substance of the  
19 letter itself?

20 A. I do not.

21 Q. Now, do you know Alex Wilson?

22 A. Yes.

23 Q. How did you make your acquaintance with Alex?

24 A. Through Aaron.

25 Q. Did Mr. Wilson visit you at your office?

1 A. Yes.

2 Q. And where was your office?

3 A. In Tustin, California. Do you want the actual  
4 address?

5 Q. No. No. No. That's all right. We're not going to  
6 visit. What -- and when Mr. Wilson would approach you, what  
7 would usually be the issues?

8 A. Talking about either his investments or the  
9 investments of others that he had brought in, and how things  
10 were going.

11 Q. Did he ever ask you for money for his investors?

12 A. Not that I can recall. I can only assume that near  
13 the end he did.

14 Q. And just for the jury, when you're talking about the  
15 near the end, what is the end as far as you're concerned?

16 A. Probably about mid 2001, something in that  
17 framework.

18 Q. And what was it about mid 2001 that was causing the  
19 investors distress?

20 A. It became obvious there was going to be no repayment  
21 to the investors, or at least nothing significant.

22 Q. Showing you what's been marked as Exhibit 67; do you  
23 recognize that letter?

24 A. I've seen it before.

25 Q. Mr. Wilson talked about the fact that he wrote it,

1 and it's his handwriting at the bottom of the second page. Is  
2 your handwriting on this document?

3 A. Yes, it is.

4 MR. EVANS: Move 67 into evidence.

5 THE COURT: Any objection?

6 MR. BRAULT: Um --

7 MR. EVANS: Do you want to look at it?

8 MR. BRAULT: For some reason we misplaced Number 67.

9 MR. EVANS: I'll get it. Let me show it to you.

10 MR. BRAULT: Foundational objection, Judge.

11 THE COURT: Counsel approach.

12 (Whereupon the Court and counsel confer at the  
13 bench, on the record, out of the hearing of the jurors, as  
14 follows:)

15 (Document provided to the Court.)

16 MR. BRAULT: If you remember, last time Alex talked  
17 about how he wrote the first two pages, and here's the second  
18 page. And Mr. -- Mr. Randall started about this page, this is  
19 his handwriting. And he put this on the last page  
20 (indicating), all of that is his writing, too.

21 THE COURT: Okay. Why don't you establish that.

22 MR. EVANS: Okay.

23 THE COURT: Is that your objection?

24 MR. BRAULT: Yeah.

25 MR. EVANS: That's fine.

1 THE COURT: Okay.

2 (Whereupon proceedings continued in open court, on  
3 the record, as follows:)

4 BY MR. EVANS:

5 Q. Okay. Your handwriting, could you just establish,  
6 on the first page, what did you write?

7 A. The word "done" and date of 8-24.

8 Q. And at the top?

9 A. The name "Alex" and a phone number.

10 Q. Then on the last page, is there something that looks  
11 like your handwriting?

12 A. Yes. Approximately the middle of the page, the date  
13 8-24-01, and the number 75,000.

14 Q. Okay.

15 A. 75, comma, three zeros.

16 THE COURT: Move 67 into evidence.

17 MR. BRAULT: No objection.

18 THE COURT: 67 is admitted.

19 BY MR. EVANS:

20 Q. I want to look at 67.

21 A. Yes, sir.

22 Q. When you wrote "done," and the date, what did that  
23 signify?

24 A. It requested that, through Aaron, that I make out  
25 two regular checks, one for 5,000, one for 6,000, to him, that

1 is Alex Wilson. And the "done" indicates that that was done,  
2 apparently on 8-24.

3 Q. Now, who would have approved, who would you have had  
4 to talk to to actually do that?

5 A. Aaron. I had no authority to issue any checks  
6 without his direction and approval.

7 Q. Well, but, it's your Trust Account, correct?

8 A. Yes.

9 Q. And Aaron didn't have signature authority over it?

10 A. No, but he was the client to whom I owed the duty of  
11 following his instructions.

12 Q. Show you what has been marked and admitted as  
13 Exhibit 84; do you recognize that document?

14 A. Yes.

15 Q. And it also has your letters "done"?

16 A. Yes, it does.

17 Q. Show you what has been marked and admitted as  
18 State's Exhibit Number 84-A. You talked about previously,  
19 about how in the middle of 2001, it was becoming apparent that  
20 investors weren't going to get any money back. Could you  
21 remind the jury what 84-A is.

22 A. This is a letter from Alex Wilson, to Aaron and  
23 myself, asking for dispersal of funds.

24 Q. And what's the date on that?

25 A. November 14th, 2001.

1 Q. And how much money is he asking for?

2 A. It's not totaled, but looks like a lot of money.

3 Q. What's the highest amount of money for whom?

4 A. 225,000, to Alex.

5 Q. And by November of 2001, were you sending checks out  
6 in this size to investors?

7 A. No, I said before that it was about the middle of  
8 2001, it might have been later than that, my recollection of  
9 time periods is not strong. So apparently it hadn't collapsed  
10 at that point.

11 To answer your question, would I send them out, if  
12 funds were available and if Aaron instructed me to do so.  
13 Whether these were sent, I have no idea.

14 Q. I'll show you what has been marked as Plaintiff's  
15 Exhibit Number 85; do you recognize that?

16 A. I don't recall seeing it before, but I know what it  
17 is. I mean, I can read what it is.

18 Q. Do you think you received that?

19 A. Probably.

20 Q. Okay.

21 A. Probably.

22 MR. EVANS: Move 85 into evidence.

23 THE COURT: Any objection?

24 MR. BRAULT: No.

25 THE COURT: 85 is admitted.

1 BY MR. EVANS:

2 Q. And what is 85?

3 A. A letter from Alex Wilson. This one directed to me.  
4 Make a change to the pay order request I faxed you on November  
5 15th, and one of the individuals, Don Fell, is to receive  
6 11,000 and not the 36,000 previously notified.

7 Q. And you're familiar with Don Fell, and who is he?

8 A. Yeah, I know the name. He's one of the investors  
9 that invested through Alex.

10 Q. Speaking of one of the investors that invested  
11 through Alex, show you what had been marked as State's Exhibit  
12 Number 73; do you recognize the letter?

13 A. Yes, I do.

14 Q. And what is that letter?

15 A. It's a letter from me on June 18th, 2001, to  
16 Mr. Mark Takenaka, T-A-K-E-N-A-K-A, responding to a -- do you  
17 want me to go ahead and what it says?

18 Q. No, I've got to move into evidence before we can  
19 talk about it. So I'll move -- and you signed it, correct?

20 A. Yes.

21 MR. EVANS: Move 73 into evidence.

22 MR. BRAULT: Objection, relevance.

23 THE COURT: Counsel approach.

24 (Whereupon the Court and counsel confer at the  
25 bench, on the record, out of the hearing of the jurors, as

1 follows:)

2 (Document provided for the Court.)

3 THE COURT: What's --

4 MR. BRAULT: One of the objections I have I prefer  
5 to make at the bench is this is also going into 404(b)  
6 material.

7 THE COURT: That was my only concern, is that I  
8 don't recall this name.

9 MR. EVANS: The only reason we needed to get into it  
10 is the last paragraph on the first page denoting that he's  
11 telling Mr. Wilson and Mr. Takenaka that they have forever to  
12 close on the Trust estate.

13 THE COURT: Well, I've still got concern about this  
14 being another 404(b) act. I mean, do you want to delete the  
15 name?

16 MR. EVANS: If you want to, that's fine.

17 MR. BRAULT: Well, the problem isn't just the name  
18 issue, Judge, is that we're getting out to, I mean we're  
19 talking about other incidents. We don't need the document to  
20 be admitted if that's the concern Mr. Evans has and that's the  
21 purpose of him doing this. It doesn't need to be admitted to  
22 make his point. Or to ask him a question about whether  
23 there's any assertions about this.

24 And so, and I do worry about the other 404(b)  
25 matters because they're starting to make an ever winding

1 circle here.

2 THE COURT: Well, it's relevant. I'm just concerned  
3 about introducing in evidence another name.

4 MR. EVANS: I think as a practical matter it doesn't  
5 say how much money, doesn't say whether he's representing  
6 someone else, and I think that it -- one second, I just have  
7 to see if his name is on -- his name is on this list.

8 I'm looking at 84-A, his name isn't on the list, so  
9 that jury will have no idea how he's into this or to what  
10 extent. It's real important from my prospective just to show  
11 this is a standard response to the various groups.

12 THE COURT: Well, did he send this to any other  
13 people who have testified?

14 MR. EVANS: No. Well, I take it back. Mr. Singh is  
15 going to testify on Friday, knock on wood, and we've already  
16 talked about that. The response to the fax Singh sent, and  
17 that Mr. Randall testified that he --

18 THE COURT: Yeah, I know that he had said there is  
19 no period for the default but, I mean, I understand the  
20 relevance of this letter. I mean, it's obviously --

21 MR. EVANS: Right.

22 THE COURT: -- relevant. My concern is introducing  
23 another name. And to your knowledge you don't have this  
24 letter being sent to anybody else?

25 MR. EVANS: No.

1 THE COURT: Well, my suggestion would be that the  
2 name or that portion of the letter not be admitted. And that  
3 the question, you simply elicit that this was a letter that  
4 was sent to somebody that came in to us.

5 MR. EVANS: I can lead him through that, then just  
6 talk about the paragraph of interest.

7 THE COURT: Yeah, I don't want a new name being  
8 flashed, because that does implicate 404(b).

9 MR. EVANS: What if I just lead him through it, then  
10 have him read this paragraph, and then we won't -- we'll have  
11 it marked and identified but not admitted.

12 THE COURT: Not admitted, that's fine.

13 MR. BRAULT: That's fine.

14 THE COURT: Okay.

15 MR. EVANS: Thank you.

16 (Whereupon proceedings continued in open court, on  
17 the record, as follows:)

18 BY MR. EVANS:

19 Q. Mr. Randall, the letter we were just talking about,  
20 which is Exhibit 73, this was written to someone who came to  
21 the investment through Mr. Wilson, correct?

22 A. To the best of my knowledge, that is correct.

23 Q. And when you responded to this, you got your  
24 instruction on how to respond to it from whom?

25 A. From Aaron.

1 Q. Okay. I want you to read to the jury the last  
2 paragraph here (indicating), and turn the page over and until  
3 the paragraph end, please.

4 A. I have been advised that in accordance with the  
5 terms of Mr. Arredondo's contract with Mr. Wilson,  
6 Mr. Arredondo has 45 days from the due date of any payment in  
7 which to cure the delay. Which, if not cured within the  
8 45 days, will then be deemed to be in default.

9 You are apparently concerned with the payment which  
10 you claim to have been due on May 15th, 2001. Such a payment  
11 does not become delinquent and thus in default status until  
12 July 1, 2001. If the payment is in default status, then the  
13 Joint Venture Manager has the obligation to satisfy the debt.  
14 The contract does not specify a time limit in which this must  
15 occur.

16 Do you want the next paragraph?

17 Q. No. No. No. That's it. Thank you.

18 Now, moving on from Mr. Wilson, I want to talk about  
19 Mike Whitman. Are you familiar with the name?

20 A. Yes, I am.

21 Q. How are you -- how are you familiar with the name?

22 A. He was involved in some capacity with Aaron.

23 Q. Did you have any, do you have any idea, did Aaron  
24 ever tell you what his responsibilities were?

25 A. No.

1 Q. Show you what has been marked and admitted as  
2 Exhibit 83; is that your handwriting on that?

3 A. Yes.

4 Q. Could you remind the jury what 83 says. Just  
5 summarize it.

6 A. It's a letter to me from Mike Whitman, asking for a  
7 check to be sent to Financial Asset Services. It is dated  
8 November 13th, 2001. I made a note, "okay, send," that would  
9 have been in response to speaking with Aaron. And then, later  
10 down on the bottom of the page, says, sent November 16th,  
11 2001.

12 Q. Okay. Now 68 and 69 have been marked and admitted.  
13 What are those?

14 A. Both of these are receipts that were made out  
15 acknowledging the receipt. In one case \$50,000, in the other  
16 case, \$20,000, for deposit in the Client Trust Account for  
17 disbursement to Aspire, earmarked for Gilbert Trust at the  
18 direction of the Joint Venture Manager.

19 Q. Is this typical? Did you send out receipts every  
20 time you received money from an investor?

21 A. No. No, there must have been a special request for  
22 these for some reason. That was not normal practice, no.

23 Q. And what's the date of this?

24 A. May 15th, 2000 -- both of them May 15th, 2001.

25 Q. And these are secured by the Gilbert Family Trust?

1           A.    It says earmarked for Gilbert Trust.  Not exactly,  
2 what that means now, I'm not sure reading it.

3           Q.    Assuming that Mr. Whitman has testified that he  
4 believed that meant these investments were secured by the  
5 Frank Gilbert Trust, how could that be, if it's the whole  
6 Frank Gilbert Trust is given to SKB?

7           A.    That could have been a belief that Mike Whitman had.

8           Q.    But you wrote this receipt?

9           A.    I did.

10          Q.    But this doesn't, doesn't mention the Reserve Fund  
11 Certificate, does it?

12          A.    It does not.

13          Q.    Okay.  Now I'm going to show you what has been  
14 marked and admitted as 115.  Remind the jury what that is.

15          A.    This is a document entitled Joint Venture Collateral  
16 Agreement, made out between Arredondo and Mike Whitman.

17          Q.    Now --

18          A.    And it's --

19          Q.    You previously testified that in another one of  
20 these samples that you created this document, is that right?

21          A.    That is correct.

22          Q.    And remind the jury why you created this document.

23          A.    It was to substitute collateral for items that were  
24 not fully collateralized by the Gilbert Trust.  Which is to  
25 present another form of collateral in the form of the Reserve

1 Fund Certificate.

2 Q. This doesn't have anything to do with, or doesn't  
3 modify the original Joint Venture Agreement that we're talking  
4 about, when the quarterly payments were due and what the rate  
5 of return is?

6 A. No, it does not.

7 Q. Now looking at Exhibit -- paragraph D, of --

8 A. Yes.

9 Q. -- 115. What's the purpose of paragraph D?

10 A JUROR: Can't see.

11 MR. EVANS: Sorry. Sorry.

12 THE WITNESS: To tell the investor what to do in the  
13 event there's default in payment.

14 BY MR. EVANS:

15 Q. And do you remember what process you went through to  
16 draft this particular paragraph?

17 A. Just reviewing with Aaron what he wanted to say.  
18 The actual words are mine, but it would be -- the information  
19 that's therein came from Aaron.

20 Q. So, the principal must submit a written statement of  
21 default?

22 A. Yes.

23 Q. Did you create a form called Statement of Default?

24 A. I think I did. Yeah, I did.

25 Q. And there was also a form, a Request for Collateral

1 Payment? Were there two forms?

2 A. Yeah, there were two forms. I forget the title on  
3 the other one, but --

4 Q. Then, when you received that, what next would you  
5 do?

6 A. Well, according to this, I was supposed to notify  
7 the International Trust Bank. In actuality what I would do  
8 was send them on to Aaron.

9 Q. Okay. Send who on to Aaron?

10 A. Any of the, any of those documents that I received,  
11 the Request For Collateral Payment and Notice of Default.

12 Q. Actually you received a number of them, didn't you?

13 A. I don't remember how many, but there was a number of  
14 them, yes.

15 Q. Why did you send them on to Aaron? You had the  
16 documents.

17 A. Aaron told me he would deal with International Trust  
18 Bank.

19 Q. But you say that it's not just International Trust  
20 Bank, or --

21 A. Or the successor certificate holder.

22 Q. Were you ever notified that someone other than  
23 International Trust Bank held any Cash Reserve Certificate?

24 A. No. It was always International Trust Bank as far  
25 as I knew.

1 Q. Than you have another, or what's the third option  
2 here?

3 A. You talking about the Safekeeping Trustee, or --

4 Q. Or to obtain funds. Keep going.

5 A. I'm sorry, I'm not sure where we are.

6 Q. You were reading right along just fine. It says  
7 Safekeeping Trustee to liquidate certificate or --

8 A. Oh, or to obtain funds from another source to repay  
9 the principal his original deposit within 45 days of the  
10 default request with concurrent notice to Manager of said  
11 action.

12 Q. So what's the 45 days mean in this case?

13 Let me rephrase the question. We've just told the  
14 jury that in the Joint Venture Agreement the 45 days meant  
15 that Aaron had 45 days to cure the default.

16 A. Correct.

17 Q. And if he didn't cure the default, he had until the  
18 end of time to foreclose on the collateral. This phrase, "to  
19 obtain funds from another source to repay the principal his  
20 original principal deposit within 45 days of default request  
21 with concurrent notice to Manager of said action," what does  
22 that say?

23 A. Well, that says it's going to be paid within 45 days  
24 of the default request.

25 Q. Were you aware of anyone who was actually paid

1 within 45 days of their default request?

2 A. None that I'm aware of.

3 Q. Now, your signature is at the bottom of this?

4 A. Correct.

5 Q. What are you signing? I mean, why did you sign this  
6 document?

7 A. I'm confirming that there was an assignment number  
8 confirmed for whoever the party was in the agreement.

9 Q. And on first page of this document 115, there's an  
10 assignment number.

11 A. Correct.

12 Q. Who told you what the assignment number was?

13 A. Aaron.

14 Q. And did he explain to you how the assignment number  
15 is created?

16 A. No, he did not.

17 Q. What is it supposed to mean?

18 A. In my mind it meant that it set aside funds for that  
19 purpose, in some form or another.

20 Q. But we're talking about the Reserve Fund Certificate  
21 from the International Trust Bank. So had he set aside the  
22 portion of the 6.5 million dollars for a particular investor?

23 A. I think it was in the form of possible claims  
24 against the 6.5, and that here's the party and here's the  
25 number that registers. And what I'm confirming when I sign it

1 is that I, in fact, have confirmation from him there is such a  
2 number. And in this book, wherever those books were  
3 maintained, it is reflected.

4 Q. And how did he confirm it to you?

5 A. Telephone.

6 Q. And did he give you a specific number based upon --  
7 did it change by contract?

8 A. Yes.

9 Q. Okay. Do you know Doug Seaver?

10 A. Yes.

11 Q. Show you what's been marked and admitted as Exhibit  
12 Number 44. That is the Joint Venture Agreement, or one of the  
13 Joint Venture Agreements Doug Seaver signed?

14 A. Yes, it is.

15 Q. And is this the document that you created, or  
16 assisted Aaron in creating?

17 A. Yes.

18 Q. Now, can you tell the jury whose idea it was to put  
19 no deadline on when the Joint Venture principal had to --  
20 Joint Venture Manager had to foreclose on the collateral?

21 A. I was following the instructions of Arredondo as to  
22 what he wanted included. I wasn't specifically told what not  
23 to include, but only what to include.

24 Q. Would you agree with me that's a pretty big hole in  
25 this agreement?

1 A. Absolutely.

2 Q. Is it ever -- did you ever disclose this to any of  
3 these Joint Venture people, that there's this problem with  
4 this agreement and Aaron's responsibility to foreclose on the  
5 principal, the collateral?

6 A. No, I did not.

7 Q. You're aware at this point in time that Mr. Seaver  
8 invested, I think the agreement you have is 200,000?

9 A. Yes, sir.

10 Q. One sec.

11 I'm going to talk about some checks, and just need  
12 to get them in order before we get to it. Okay. Okay.

13 Show you what have been marked as Exhibits 45 and  
14 46. What is that a copy of?

15 A. This is a business statement on the account that I  
16 used for these purposes.

17 Q. And does it show a deposit of \$200,000 on or about  
18 the March 27th, '01?

19 A. Shows me a date, but I don't see the deposit of  
20 200,000.

21 Q. Actually there's a (indicating). The three hole  
22 punch is right through it. Anyway --

23 MR. EVANS: I'll move 45 and 46 into evidence.

24 MR. BRAULT: No objection.

25 THE COURT: 45 and 46 are admitted.

1 BY MR. EVANS:

2 Q. Okay. And could you briefly describe for the jury  
3 what 104 is.

4 A. This is a tabulation of Mr. Seaver's investment of  
5 200,000 as of March 30, 2001, and his disbursements.

6 MR. EVANS: For demonstrative purposes, I'd move 104  
7 into evidence.

8 MR. BRAULT: Can we approach?

9 THE COURT: Yes.

10 (Whereupon the Court and counsel confer at the  
11 bench, on the record, out of the hearing of the jurors, as  
12 follows:)

13 MR. BRAULT: I'm not quite sure what's the  
14 foundation that's, I mean, we don't know where this is  
15 prepared.

16 MR. EVANS: Well, it's a summary of the information  
17 that Ken Johnson had, and it's, it highlights the testimony  
18 that he's about to give regarding the checks that were  
19 distributed, the dates of the checks, and then the deposits  
20 and -- it's, it's a summary of the statements and the checks  
21 we're about to talk about. To give the framework to the  
22 exhibits that we're about to introduce, that's all.

23 MR. BRAULT: They haven't been introduced yet  
24 though.

25 MR. EVANS: No.

1 THE COURT: Well, is this the summary that we had a  
2 motion on?

3 MR. EVANS: It is based on those summaries that we  
4 had a motion on Ken Jones, so he can also testify to this. I  
5 just wanted to use it to put this in context for the jury as  
6 we went through all these checks.

7 THE COURT: And all the documents upon which it's  
8 based are going to be introduced?

9 MR. EVANS: Yes. They're right here.

10 THE COURT: All right.

11 Mr. Brault?

12 MR. BRAULT: Still think it's out of order, but --

13 THE COURT: All right. I'll note your objection.  
14 Overruled.

15 MR. BRAULT: Thank you.

16 MR. EVANS: Thank you.

17 (Whereupon proceedings continued in open court, on  
18 the record, as follows:)

19 THE COURT: 104 is admitted.

20 BY MR. EVANS:

21 Q. As we go along, showing 104 to the jury, the first  
22 check, 850, that's exhibit what?

23 A. 47.

24 Q. 47.

25 MR. EVANS: I'd move 47 into evidence.

1 THE COURT: Any objection to 47?

2 MR. BRAULT: No, Your Honor.

3 THE COURT: 47 is admitted.

4 BY MR. EVANS:

5 Q. Would you describe for the jury what Eripsa is.

6 A. Eripsa is the corporate form of Aspire  
7 International. Aspire International could not be incorporated  
8 because it was in use by somebody else. So we took Aspire and  
9 turned it over, made it Eripsa, and that became the  
10 corporation through what Arredondo was doing his business.

11 Q. And did you incorporate this corporation?

12 A. I did.

13 Q. And where did you have it incorporated?

14 A. I'm not sure now if it was a Nevada or California  
15 corporation, it was one or the other.

16 Q. Did you have any control over the corporation?

17 A. No. Once incorporated, no.

18 Q. And did you have any control over the bank account?

19 A. Yes.

20 Q. Of Eripsa?

21 A. No, my bank accounts.

22 Q. But of Eripsa?

23 A. Oh, the number it shows on here, no, that's Eripsa's  
24 bank account in Las Vegas.

25 Q. Now each one of the checks we're about to discuss,

1 who ordered these checks be written?

2 A. Aaron.

3 Q. Now, let's see, that was 47. Yes.

4 Now, we previously introduced 48, 49, 50, 51, which  
5 are the checks to Nick Singh, Deo, I think Rob Basile, and Ted  
6 Walsh.

7 A. Correct.

8 Q. Correct. Check 855, what is its document number?

9 A. 52.

10 Q. Okay.

11 MR. EVANS: I'd move 52 into evidence.

12 MR. BRAULT: I don't believe there's been any  
13 foundation established for it, but I don't think he's  
14 identified it.

15 BY MR. EVANS:

16 Q. What is 52?

17 A. I'm sorry, you mean what check is --

18 Q. Yeah.

19 A. It's a --

20 Q. No, actually it's a check written on your Trust  
21 Account?

22 A. It is.

23 Q. Okay.

24 MR. BRAULT: No objection.

25 THE COURT: All right. Is that 52? Is admitted.

1 MR. EVANS: Yes, Your Honor.

2 BY MR. EVANS:

3 Q. Who is this check to?

4 A. It's U.S. Bank in exchange for a cashier's check.  
5 And the cashier's check was made out to Naso, N-A-S-O, or  
6 N-A-S-A, Karabenas.

7 Do you want me to spell that?

8 Q. The court reporter would like that.

9 A. K-A-R-A-B-E-N-A-S.

10 Q. And who is he or she?

11 A. He was one of the investors that Aaron was working  
12 with.

13 Q. The next exhibit, Exhibit 53, is another check?

14 A. Number 858. This is a check drawn on my Trust  
15 Account, made out to Seaside Rancho, \$604.30, for rent on an  
16 office space that Aaron had had me lease for him in the same  
17 building where I had my office.

18 Q. Do you use that office very much?

19 A. He never used it. Once having it, he never used it.

20 Q. And then, the next check, 856, which must be  
21 Exhibit 54?

22 A. 54, yes, sir.

23 Q. And it's a check for how much, to whom?

24 A. This is another check on my Trust Account, made out  
25 to me, \$5,000, for legal fees. And that was April 5th, 2001.

1 Q. Now, you previously testified that you got, were  
2 getting \$10,000 a month?

3 A. Correct.

4 Q. So what's this?

5 A. That was an average. If one month they were short,  
6 the next month it would be made up, or somewhere along the  
7 line.

8 Q. When you got this check, what did you do?

9 A. Cashed it.

10 Q. What did you do with the cash?

11 A. Used it for my personal expenses.

12 Q. You didn't deposit this in another account?

13 A. I did not.

14 Q. Is that the way you normally dealt with all these  
15 checks that you got from Aaron?

16 A. Yes.

17 Q. You lived on the cash economy?

18 A. Yes.

19 Q. Then, what's the next check, 857?

20 A. This is a check made out to cash.

21 Q. This is Exhibit 55?

22 A. Yes. \$10,000. \$10,000 in cash turned over to  
23 Aaron. In the memo box is Aspire International, that was an  
24 indication that was cash for him.

25 Q. This is an attorney Trust Account?

1 A. It is.

2 Q. And as an attorney, do you have problems when you  
3 get cash and being able to account for how your Trust Account  
4 is used?

5 A. Well, I was pretty well aware of the rules of  
6 California, with regard to Attorney/Client Trust Accounts, and  
7 I didn't feel I was violating any of those rules at the time.

8 Q. Your memo section says this was going to go to  
9 Aaron. How do you prove it went to Aaron?

10 A. Most of the time there is no proof, no written  
11 proof. The only time there is, is when I deposited it in his  
12 account in Las Vegas.

13 Q. Now, check 859 which is Exhibit 56 --

14 MR. EVANS: Move 56 into evidence.

15 MR. BRAULT: No objection.

16 THE COURT: 56 is admitted.

17 THE WITNESS: That's the same thing, another \$10,000  
18 check for Aaron.

19 BY MR. EVANS:

20 Q. And that was what the memo section said?

21 A. Yes.

22 Q. And the check 57. Exhibit 57, excuse me.

23 A. That was made out, appears to be April 6th, 2000,  
24 for \$10,000 to Eripsa International.

25 Q. And that's a check given to Aaron?

1 A. Yes.

2 Q. And finally, Exhibit 58.

3 A. That's another \$10,000 check for cash; cash turned  
4 over to Aaron.

5 Q. Did Aaron tell you why he needed this cash?

6 A. Sometimes. It was like he'd have some business  
7 opportunity going with somebody who needed funds right now and  
8 they couldn't wait for checks to clear the bank. And in order  
9 for him to get that agreement with that customer of his, it  
10 wouldn't be a Joint Venture customer, this was somewhere he  
11 was investing it. And in order to get that deal he had to  
12 have cash.

13 Q. Okay. Now, there was another transaction. Show you  
14 what's been marked and admitted as Exhibit 88.

15 You've seen this document before?

16 A. Yes, I have seen it.

17 Q. Can you just remind the jury what document it is.

18 A. It's a Joint Venture Private Placement Agreement,  
19 and with the applicant being Our Firm Foundation/Douglas  
20 Seaver.

21 Q. Did you have any hand in drafting this document?

22 A. No.

23 Q. Did, at some point in time, your Trust Account  
24 receive a million dollars from Mr. Arredondo -- Mr. Seaver?

25 Show you what has been marked and admitted as

1 Exhibit 87.

2 A. Yes.

3 Q. And what do you see?

4 A. CSA department -- a deposit record showing the  
5 principal of one million dollars being deposited.

6 Q. Okay. When you got a deposit this large, did you  
7 usually know it was coming?

8 A. Sometimes yes, sometimes no. This one I believe I  
9 did. I think Aaron called me and said there was a million  
10 dollar deposit being made by Doug Seaver, and it came in by  
11 wire transfer.

12 Q. By December of 2001, were you getting a lot of  
13 pressure from investors to get their principal back?

14 A. And I'm not clear on dates, it sounds right.

15 Q. Okay.

16 A. Could have been 2002.

17 Q. Okay. Starting with -- would you just identify 105.

18 A. All right.

19 THE COURT: Could I see counsel at the bench a  
20 second.

21 (Whereupon the Court and counsel confer at the  
22 bench, on the record, out of the hearing of the jurors, as  
23 follows:)

24 THE COURT: I have Grand Jury coming up next door.

25 MR. EVANS: Want to take a break now?

1           Okay. That's fine.

2           THE COURT: Next door.

3           (Whereupon proceedings continued in open court, on  
4 the record, as follows:)

5           THE COURT: All right. Ladies and gentlemen, we're  
6 going to go ahead and take an afternoon break. I've got a  
7 matter I need to take care of in another case, so it's going  
8 to be a little longer than usual, so going to say about  
9 20 minutes.

10           Going to ask you to be ready to come back in at just  
11 before ten 'til three.

12           Remember the admonition.

13           (Whereupon proceedings were recessed.)

14           (Whereupon proceedings continued, in the absence of  
15 the jury, as follows:)

16           MR. EVANS: We've agreed that we're going to take  
17 Javad Maghami out of order. He's going to be very short, then  
18 he can bike back to Phoenix.

19           THE COURT: Okay.

20           All right.

21           Let's get the jury.

22           THE BAILIFF: Yes, sir.

23           (3:00 p.m. Jurors now present.)

24           THE COURT: All right. Show we're back on the  
25 record. Show the jury has joined us.

1           Sorry we took a little longer than we thought, we'll  
2 take it off your next break though. Just kidding.

3           Mr. Evans.

4           MR. EVANS: Yes. We're going to interrupt  
5 Mr. Randall's testimony for Javad Maghami.

6           THE COURT: Mr. Maghami, if you would come on  
7 forward and be sworn, please.

8  
9                                   JAVAD MAGHAMI,  
10 having been first duly sworn, was examined and testified, as  
11 follows:

12  
13                                   DIRECT EXAMINATION

14 BY MR. EVANS:

15           Q. Please state your name and spell your last name.

16           A. My last name is Maghami, M-A-G-H-A-M-I. My first  
17 name is Javad, J-A-V-A-D.

18           Q. What's your occupation?

19           A. I'm a dealer in the Lamborghini Dealership in  
20 Scottsdale, Arizona.

21           Q. And does your business go by the name of Motor  
22 Sports of Scottsdale?

23           A. That's our foundation name, yes. Motor Sports of  
24 Scottsdale, that's correct.

25           Q. Show you what's been marked and admitted as State's

1 Exhibit Number 145; do you recognize that person?

2 A. Yes.

3 Q. That's known to this court as Aaron Arredondo. Did  
4 your company have any dealings with Aaron?

5 A. I get involved in every deal when they write it off,  
6 but that gentleman, yes.

7 Q. On December 4th, 2001, did your company receive a  
8 wire transfer of about \$145,000?

9 A. That's correct.

10 Q. Can you tell the jury what that \$145,000 bought.

11 A. That gentleman came in with four, five bodyguards  
12 and that's his business, and he mentioned it. And Sean, of  
13 the salesmen, he's helping him. They're buying a Ferrari 360,  
14 the Spider, the convertible. So he write a check for  
15 300-some, and I don't -- try to force us to deliver car on the  
16 spot. And with a regular check, I say I'm not going to  
17 deliver the check -- the car with this check. So he asked how  
18 much. I said you have to wire or give me a cashier check. So  
19 he wired some of it, and he came in with a sum cashier check.

20 Q. Would you describe this car, you said a Ferrari  
21 something Spider.

22 A. 360, that's the name, the body style is called 360.  
23 That's a 3.6 liter engine.

24 Q. And how big an engine does it have?

25 A. V-8.

1 Q. And its total price was how much?

2 A. That MSRP, that car, suggested retail, that car as  
3 factory, 160, \$170,000. And behind that, the black market,  
4 that car \$300,000.

5 Q. How much did you charge him?

6 A. 275, something like that.

7 MR. EVANS: I have no further questions.

8 THE COURT: Mr. Brault.

9

10 CROSS-EXAMINATION

11 BY MR. BRAULT:

12 Q. What color was it?

13 A. Red tint.

14 Q. Thank you.

15 MR. BRAULT: I have no further questions.

16 THE COURT: Redirect.

17 MR. EVANS: No. No. I'm fine.

18 THE COURT: Jury have any questions?

19 (No response.)

20 THE COURT: Sir, you may step down.

21 THE WITNESS: Thank you.

22

23 WILLIAM H. RANDALL,

24 previously sworn and examined, resumes the witness stand and  
25 further testifies, as follows:

1 THE COURT: Mr. Randall, you're still under oath.

2 THE WITNESS: Yes, Your Honor.

3

4 DIRECT EXAMINATION (CONTINUED)

5 BY MR. EVANS:

6 Q. Okay. When last we were together we were talking  
7 about Exhibit 105. Could you just briefly describe what that  
8 is.

9 A. Yeah. This appears to be a summary of the deposit  
10 of Mr. Seaver's investment of a million dollars and  
11 disbursement therefrom.

12 MR. EVANS: Move 105 as a demonstrative exhibit.

13 THE COURT: Any objection?

14 MR. BRAULT: Subject to the same objection before  
15 for 104.

16 THE COURT: Could I see the exhibit?

17 (Document provided to the Court.)

18 THE COURT: Same, essential response, Mr. Evans?

19 MR. EVANS: Yes, Your Honor.

20 THE COURT: It will be admitted.

21 BY MR. EVANS:

22 Q. Okay. Exhibit 89.

23 A. Yes, sir.

24 Q. What is that?

25 A. That's an outgoing wire transfer, transfer form,

1 \$39,954, being transferred to RMC International.

2 MR. EVANS: Move 89 to evidence.

3 THE COURT: Any objection?

4 MR. BRAULT: No, Your Honor.

5 THE COURT: 89 is admitted.

6 BY MR. EVANS:

7 Q. Do you know what RMC International is?

8 A. I do if I can think of his name.

9 It's an individuals who was an investor.

10 Q. Okay. We've just heard about Motor Sports of  
11 Scottsdale.

12 A. Excuse me, I think RMC was Rick Childers (ph).

13 Q. Okay. Exhibit 90. This is the wire transfer.

14 A. Yes.

15 Q. To Motor Sports of Scottsdale.

16 A. Yes.

17 Q. Okay.

18 MR. EVANS: Move 90 into evidence.

19 MR. BRAULT: No objection.

20 THE COURT: 90 is admitted.

21 BY MR. EVANS:

22 Q. Exhibit 91, Our Firm Foundation; what is that?

23 A. Check on my Trust Account drawn on 12-4-01, amount  
24 of \$80,005 for cashier's check payable to Our Firm Foundation/  
25 Doug Seaver.

1 Q. What's the \$5 for?

2 A. That's the fee for the wire transfer.

3 Q. Did Aaron tell you why you're sending the money to  
4 Doug Seaver?

5 A. No, he did not.

6 Q. When you got in the million dollars, did he call  
7 you, or send you an e-mail, or send you a letter, regarding  
8 where all this money should go?

9 A. As various disbursement were made, he called me.  
10 There was no e-mails or written communication.

11 Q. So Exhibit 92 --

12 A. Yes, sir.

13 Q. -- that's check 1125.

14 A. Yes, check on my Trust Account dated November 4,  
15 2001, \$2,500, to Kimo Leopoldo, I believe.

16 MR. EVANS: Move 92 into evidence.

17 THE COURT: Any objection?

18 MR. BRAULT: Relevance.

19 Can we approach?

20 THE COURT: Yes.

21 (Whereupon the Court and counsel confer at the  
22 bench, on the record, out of the hearing of the jurors, as  
23 follows:)

24 MR. BRAULT: This is a check to somebody we haven't  
25 heard of. I don't see how it's necessarily relevant to what's

1 going on here.

2 MR. EVANS: It's going to show where Mr. Seaver's  
3 money went. And I think he'll testify he has no idea who this  
4 guy is, just says it has do with Aspire, and he knows little  
5 more than that. So this isn't necessarily investors, just  
6 someone Aaron told him to send money to.

7 THE COURT: Well, if you're going to ask him if he  
8 knows who this is and he's going to say, no, then you draw his  
9 attention to the fact that it indicates Aspire.

10 MR. EVANS: I will. Okay.

11 THE COURT: All right.

12 (Whereupon proceedings continued in open court, on  
13 the record, as follows:)

14 THE COURT: You may proceed. And that was 90 --

15 MR. BRAULT: 92.

16 THE WITNESS: 92.

17 THE COURT: 92 is admitted.

18 BY MR. EVANS:

19 Q. This check to Kimo Leopoldo. Do you know who that  
20 is?

21 A. No, I don't.

22 Q. And in the memo section what did you put?

23 A. It is issued for Aspire.

24 Q. Then the next instrument, Exhibit 93.

25 A. Yes.

1 Q. And that's check 1124, is to you?

2 A. It is. Dated 12-4-01, to me for \$10,000 for legal  
3 fees for Aspire.

4 MR. EVANS: Move 93 into evidence.

5 MR. BRAULT: No objection.

6 THE COURT: 93 is admitted.

7 BY MR. EVANS:

8 Q. And then you cashed that and you took the cash?

9 A. Correct.

10 Q. The next, on 12-6-2001. Exhibit 94.

11 A. Doesn't seem to be in order here.

12 Q. Okay.

13 A. I have 95 on.

14 Q. Okay. We'll look for 94.

15 I'll take you to 95. Of course it could always be  
16 that I've got it somewhere, but -- 95, what's 95?

17 A. It's an outgoing wire transfer from my Trust Account  
18 to The Jewelers Incorporated.

19 Q. Were you familiar with this company?

20 A. No.

21 Q. Had you done more than one of these wire transfers  
22 to The Jewelers?

23 A. I don't recall; there may have been.

24 MR. EVANS: I'd move 95 into evidence.

25 MR. BRAULT: No objection.

1 THE COURT: It will be admitted.

2 BY MR. EVANS:

3 Q. Now I've got 94.

4 A. Sure.

5 Q. 94 is a wire transfer?

6 A. It is. For out of the Trust Account, amount of  
7 \$187,500, to the AMRO Bank in New York for further credit to  
8 the Riga, Latvia account.

9 MR. EVANS: Move 94 into evidence.

10 MR. BRAULT: No objection.

11 THE COURT: 94 is admitted.

12 BY MR. EVANS:

13 Q. And remind the jury what this money was for.

14 A. That was the premium payment for that Reserve Fund  
15 Cash Certificate.

16 Q. Okay. Moving ahead to Exhibit 96.

17 A. This is a wire transfer from my Trust Account, to a  
18 bank named ALLFIRST for credit to the UTZ Family Limited  
19 Partnership.

20 MR. EVANS: Move 96 into evidence.

21 MR. BRAULT: No objection.

22 THE COURT: 96 is admitted.

23 BY MR. EVANS:

24 Q. What is the UTZ Family Partnership?

25 A. That was an investor from Colorado.

1 Q. 97.

2 A. That is an outgoing wire transfer from the Trust  
3 Account to Bank of America in Kansas City, for benefit of MSD  
4 Investments.

5 MR. EVANS: Move 97 into evidence.

6 MR. BRAULT: No objection.

7 THE COURT: 97 is admitted.

8 BY MR. EVANS:

9 Q. What is MSD Investments?

10 A. I don't know.

11 Q. 98.

12 A. Outgoing wire transfer from the Client Trust Account  
13 of \$55,000, to the Fleet Bank in East Longmeadow, Maine, to  
14 the benefit of Nunzio Bruno.

15 MR. EVANS: Move 98 into evidence.

16 MR. BRAULT: No objection.

17 THE COURT: It will be admitted.

18 BY MR. EVANS:

19 Q. What do you understand -- who is Nunzio Bruno?

20 A. Somebody that Aaron dealt with frequently. I don't  
21 know in what capacity.

22 Q. Exhibit 99.

23 A. That is check number 1126, drawn on the Client Trust  
24 Account to Eripsa International for \$100,000.

25 Q. And when the check got into the Eripsa account, did

1 you have any signature authority over it?

2 A. None. The sole signatory on that account, as far as  
3 I know, was Aaron.

4 MR. EVANS: Exhibit -- did I move 99 into evidence?  
5 99 into evidence.

6 MR. BRAULT: No objection.

7 THE COURT: 99 is admitted.

8 BY MR. EVANS:

9 Q. 100.

10 A. That is a Client Trust Account check, made out to  
11 me, for \$5,000, covering expenses in December of 2001.

12 MR. EVANS: Move 100 into evidence.

13 MR. BRAULT: No objection.

14 THE COURT: 100 is in.

15 BY MR. EVANS:

16 Q. What were your expenses?

17 A. It was buying some furniture for that office that he  
18 rented in my building, which he never occupied.

19 Q. So do you get the furniture back when--

20 A. No, as far as I know he came and got it. Because  
21 after, after it was determined he wasn't going to utilize that  
22 office, I went up there and it was empty. So somebody had  
23 taken it out, and I assumed that was him.

24 Q. Okay. Exhibit 101.

25 A. That is a Client Trust Account check drawn to cash

1 for the purpose of buying a cashier's check for Atanas,  
2 A-T-A-N-A-S, Karabenas, K-A-R-A-B-E-N-A-S. \$50,000. I don't  
3 know if I mentioned the amount.

4 MR. EVANS: Move 101 into evidence.

5 MR. BRAULT: No objection.

6 THE COURT: 101 is admitted.

7 BY MR. EVANS:

8 Q. And you previously testified that Mr. Karbenas was  
9 an investor?

10 A. Yes.

11 Q. Check 102, to Robert Pierce, check 1129.

12 A. Robert Pierce was a part-time paralegal, worked for  
13 me, and Aaron asked him to do some of my work to make me  
14 available to do some things that Aaron wanted done.

15 MR. EVANS: Move 102 into evidence.

16 THE WITNESS: I said he could do that, provided he  
17 paid him a week's salary for him doing that.

18 THE COURT: Any objection, Mr. Brault?

19 MR. BRAULT: No, Your Honor.

20 THE COURT: 102 is admitted.

21 BY MR. EVANS:

22 Q. Then finally, 103. That's the U.S. Bank statement?

23 A. Yes, it is.

24 Q. For this period of time. It shows the million  
25 dollar deposit?

1           A.    It's for December 3, 2001 through December 31st,  
2 2001, and shows a deposit of one million dollars.

3           MR. EVANS:   Okay.  Move 103 into evidence.

4           MR. BRAULT:  No objection.

5           THE COURT:  103 is admitted.

6 BY MR. EVANS:

7           Q.    Now, you previously, I had you define a Ponzi  
8 scheme.

9           A.    Yes.

10          Q.    This distribution of funds, would you define this as  
11 a Ponzi scheme?

12          MR. BRAULT:  Objection, calls for legal conclusion,  
13 ultimate issue.

14          THE COURT:  Sustained.

15 BY MR. EVANS:

16          Q.    Now, when you were writing these checks, did you  
17 ever think that something is wrong here, I'm writing checks to  
18 other investors from new investors' money?

19          MR. BRAULT:  Same objection.

20          THE COURT:  Overruled.

21          THE WITNESS:  I subdued any thoughts I had about any  
22 improprieties that might have occurred and convinced myself  
23 there were none.

24 BY MR. EVANS:

25          Q.    And why did you do that, do you think?

1           A.   Probably because of the receipt of the attorney's  
2 fees every month, which I had never received before.

3           Q.   Now you previously testified you got about \$170,000?

4           A.   Approximately, yes.

5           Q.   Over a two-year period?

6           A.   Yes, sir.

7           Q.   When did your business relationship with Aaron end?  
8 Well, actually, let me go back. You talked about defaults.

9                    Did, at a certain point in time, a lot of the people  
10 were asking for their money. Did you work out a procedure to  
11 do civil compromises for civil suits that were filed against  
12 Aaron?

13          A.   Yes, I did.

14          Q.   And as a result of that, and when, approximately,  
15 when was this happening?

16          A.   As far as I can recall, sometime in 2002. But  
17 again, I'm not real sharp on remembering dates.

18          Q.   As a result of these civil suits, did you end up  
19 getting sued?

20          A.   Yes.

21          Q.   And do you have judgments against you?

22          A.   I do.

23          Q.   How many of them do you think?

24          A.   To my knowledge about four or five.

25          Q.   And the amount of those judgments is what, do you

1 think?

2 A. It's in the millions, probably something near 10, 12  
3 million.

4 Q. And, now, you previously testified that when you got  
5 these attorney's fees, you would convert them into cash. Do  
6 you have any assets?

7 A. No. Excuse me, no.

8 Q. So you don't own a car?

9 A. Correct.

10 Q. You don't own a house?

11 A. Correct.

12 Q. What do you live on now?

13 A. Social Security and family support.

14 Q. Have any of these people with these judgments tried  
15 to collect on their judgments?

16 A. Not to my knowledge.

17 Q. Now, in addition, at some point in time, you entered  
18 a plea agreement with the State of Arizona?

19 A. That's correct.

20 Q. Can you tell the jury what you pled to.

21 A. Conspiracy and theft.

22 Q. And what is your range of sentence? What do you  
23 understand your range of sentence to be?

24 A. Probation, subject to the Court has the discretion  
25 to sentence me up to a year in county jail, and restitution of

1 funds. Excuse me, also a fine.

2 Q. You could be fined?

3 A. I could be.

4 Q. Now let's talk a little bit about your restitution  
5 obligation. You entered a plea where you agreed to pay  
6 Mr. Seaver a certain amount of money; do you remember  
7 approximately how much?

8 A. I believe his was something in the range of two  
9 million dollars.

10 Q. How about 12 million dollars?

11 A. Could very well be. My recollection is not that  
12 sharp on that.

13 Q. Okay. Actually, and then, that was your first  
14 priority, then there are a whole bunch of other people you  
15 agreed to pay as second priority?

16 A. Correct.

17 Q. And those second priorities include SKB?

18 A. Yes.

19 Q. Guy name Gary Lovelace?

20 A. I don't remember his as being one of them, but it  
21 could be.

22 Q. Well, here. Let me have this marked and we'll just  
23 go over it.

24 I believe this is 147? Showing you what's been  
25 marked as 146. And this is, attachment A talks about your

1 restitution obligation, correct?

2 A. Yes, it is.

3 Q. SKB is there?

4 A. Yes, it is.

5 Q. And then Michael Whitman is there?

6 A. Yes, he is.

7 Q. And how much is he there for?

8 A. 100,000.

9 Q. Okay. Then Mr. Karabenas is there, I see?

10 A. Yes, he is.

11 Q. And your secondary obligation, what is the total  
12 amount of that restitution amount?

13 It's right there (indicating).

14 A. The total minus the Mr. Seaver would be another  
15 about nine million, total of 21 million for all of it.

16 Q. Okay. Now, you pled guilty to conspiracy?

17 A. Yes.

18 Q. Tell the jury why you pled guilty, why you believe  
19 that you are guilty of conspiracy.

20 A. When I ignored, either consciously or  
21 subconsciously, red flags that went up during the process of  
22 the couple of years I was involved with Mr. Arredondo, then  
23 proceeded to follow his instructions without proper  
24 questioning of what was going on. I believe at least by  
25 implication that consisted of conspiracy.

1           There was no actual time we sat down said this is  
2 exactly what we're going to do, but I also didn't question  
3 anything.

4           Q.    Give the jury an example of red flags, now in  
5 retrospect, that you think you should have been watching.

6           A.    When people start demanding their money back and  
7 they weren't receiving it or any satisfactory explanation of  
8 why they weren't getting it.

9           Q.    In addition, you pled guilty to theft?

10          A.    Yes.

11          Q.    And that's theft by conversion or unauthorized use?

12          A.    Yes.

13          Q.    You agreed as part of your plea that Mr. Seaver had  
14 called you after he sent you the million dollars, and told you  
15 the money should not be released until he was satisfied with  
16 the collateral backing his investment?

17          A.    I agreed to that. That was the reason for the theft  
18 count in my mind.

19          Q.    And you distributed the money even though Mr. Seaver  
20 had put that condition on it?

21          A.    That is correct.

22               MR. EVANS: No further questions.

23               THE COURT: Mr. Brault, Cross.

24               /////

25               /////

## 1 CROSS-EXAMINATION

2 BY MR. BRAULT:

3 Q. Mr. Randall, did you ever explicitly agree with  
4 Aaron Arredondo that he was going to commit a theft?

5 A. No.

6 Q. Did you ever explicitly agree with Aaron Arredondo  
7 that he would commit a fraud, scheme, and artifice?

8 A. No.

9 Q. Did you ever explicitly agree with Aaron Arredondo  
10 that you would commit a theft?

11 A. No.

12 Q. Did you ever explicitly agree with Aaron Arredondo  
13 that you would commit fraud, scheme, and artifice?

14 A. No.

15 Q. Let's talk a little bit about your background.

16 Mr. Evans asked you about where you went to school.  
17 Where did you go to law school again?

18 A. University of West LA in Culver City, California.

19 Q. Is that an ABA accredited law school?

20 A. It is not.

21 Q. What was your educational background that got you  
22 into that law school?23 A. A number of college courses and seminars over the  
24 years.

25 Q. Were those all done in person, or were they done by

1 correspondence, or --

2 A. All in person.

3 Q. And where did you go to those courses?

4 A. Various areas of Los Angeles. Some of them at  
5 colleges, some at universities.

6 Q. What were the names of the colleges and universities  
7 that you went to?

8 A. The University was the University of California, Los  
9 Angeles, UCLA.

10 Q. Okay. You said that you took the Bar examination.  
11 When did you take the Bar?

12 A. 1970.

13 Q. When did you graduate from your law school?

14 A. 1970.

15 Q. Okay. Now, you started a law practice, is that  
16 correct?

17 A. Yes.

18 Q. Did you do that right out of law school?

19 A. Yes. Strike that. I worked for Hughes Aircraft in  
20 contract management for two or three years, first.

21 Q. Okay. And at the time that you met Aaron Arredondo,  
22 your law practice was struggling pretty bad, wasn't it?

23 A. It was.

24 Q. And you hadn't worked for a number of years, right?

25 A. Starting in about '93 or '94, things started going

1 downhill. I had a lot of the health problems and clients that  
2 weren't paying their bills, and things went bad.

3 Q. At that time, as far as your practice was concerned,  
4 you took just about any kind of case that came to the door,  
5 right?

6 A. With a few exceptions, yes, that would be true.

7 Q. One of those exceptions would be that you didn't  
8 take any securities work, right?

9 A. Correct.

10 Q. What were the other exceptions?

11 A. Income tax.

12 Q. Now, you had, you basically are a one-person office,  
13 right?

14 A. Yes.

15 Q. Did you have any permanent staff?

16 A. Not paid staff.

17 Q. You had somebody that would help you out that wasn't  
18 paid periodically?

19 A. Yes. And my girlfriend acted as a secretary from  
20 time to time.

21 Q. When Mr. Arredondo and you met, he turned into being  
22 probably your biggest client that you'd ever had, right?

23 A. Yes, absolutely.

24 Q. And it was the first time that you had had a secure  
25 source of income from any particular client, right?

1 A. Correct.

2 Q. And that was a pretty big financial gain for you,  
3 right?

4 A. It was.

5 Q. The initial agreement that you had with  
6 Mr. Arredondo was originally starting out at an hourly rate,  
7 you had a particular hourly rate that you were giving him,  
8 right?

9 A. I think it went directly into the monthly retainer.  
10 There might have been a short period before that at an hourly  
11 rate.

12 Q. And at -- your monthly retainer was to get \$10,000 a  
13 month for your work, whatever that -- whatever it took, right?

14 A. Right.

15 Q. Mr. Arredondo was in your office periodically,  
16 right?

17 A. Yes.

18 Q. But you primarily dealt with him over the phone,  
19 right?

20 A. Correct.

21 Q. You sent a lot of information to him by fax, right?

22 A. Yes.

23 Q. And you'd e-mail him frequently, right?

24 A. I don't know how frequently, but there were e-mails,  
25 yes.

1 Q. Now, when you met Mr. Arredondo, you were impressed  
2 with his credentials, I guess, right?

3 A. Absolutely.

4 Q. He appeared to be rather well off to you, right?

5 A. Yes.

6 Q. And you were flattered that he was willing to hire  
7 you as an attorney to deal with things for him, right?

8 A. I never thought about it as being flattered, but,  
9 yes.

10 Q. Now, he gave you some initial discussions about what  
11 type of business he was in, didn't he?

12 A. Yes.

13 Q. And he convinced you that he was engaged in  
14 legitimate business, is that correct?

15 A. Yes.

16 Q. Is it true that you didn't fully understand all the  
17 things that he was talking about when he gave you details of  
18 this business?

19 A. That's true.

20 Q. And that would be because you weren't, you didn't  
21 have a real, you know, financial background, things were a  
22 little over your head in that regard, right?

23 A. Part of that, and part of he never fully explained  
24 any of the things that he was doing.

25 Q. Now, when you started setting up some relationships

1 with Mr. Arredondo, one of the things that you started talking  
2 to him about was the ability to use your Attorney/Client Trust  
3 Account, is that right?

4 A. Yes.

5 Q. Now, it's your opinion that the way that this was  
6 going to work was that your Attorney/Client Trust Account was  
7 going to have funds that were associated with Mr. Arredondo in  
8 it, right?

9 A. Funds deposited to his account, in the  
10 Attorney/Client Trust Account.

11 Q. And in addition to that, other people were going to  
12 be able to deposit funds into there, but they were going to be  
13 so that they get distributed to Mr. Arredondo, right?

14 A. Right, they would be deposited on his account.

15 Q. And you considered those to be his funds, basically,  
16 right?

17 A. I did.

18 Q. And you considered him to be your only client,  
19 right, as far as those funds were concerned?

20 A. As far as those funds were concerned, yes.

21 Q. And when you made representations to various people  
22 in the correspondence that we've gone over a lot, some of the  
23 stuff you talked about was, the Attorney/Client Account, you  
24 talked about the Bar having control over, or oversight over  
25 the Attorney/Client Account, is that right?

1 A. Yes.

2 Q. And the purpose of that was such that you were  
3 assuring Mr. Arredondo that his funds would be subrogated from  
4 your other clients' fund, right?

5 A. I don't think it was ever defined as that being the  
6 purpose.

7 Q. But that was one, that was one of the assertions,  
8 that you would be able to keep track of his funds versus your  
9 other clients' funds in your Attorney/Client Account, right?

10 A. That, yes.

11 Q. And you were actually able to never confuse any of  
12 your other clients' accounts or monies with the monies that  
13 were associated with Mr. Arredondo, right?

14 A. That is correct.

15 Q. Now as far as your Attorney/Client Account was  
16 concerned, you basically did anything that Mr. Arredondo asked  
17 you as far as handling the money, right?

18 A. That is correct.

19 Q. So you could have been described as, I guess, a  
20 paymaster might be a way to put things?

21 A. Sounds reasonable, yeah.

22 Q. Another way to put it might be a distributor of the  
23 funds, right?

24 A. Yes.

25 Q. Did you ever establish an attorney/client

1 relationship with any of the people that were investing money  
2 with Aaron Arredondo?

3 A. Not in my view I didn't.

4 Q. Okay. Did you ever sign, have them sign a Retainer  
5 Agreement and give you money to give you -- for you to give  
6 them legal advice?

7 A. No.

8 Q. Did you ever in the context of any kind of retainer  
9 agreement or any -- let me start over.

10 Did you ever form a relationship with any of the  
11 investors where you were providing them with your expert  
12 opinions as to legal matters?

13 A. I'm not sure how to answer that one. I did issue  
14 documents that had my opinion as to legal matters. But it  
15 wasn't in the context of advising a client as to those same  
16 matters.

17 Q. Okay. At about 2:10 this afternoon, Mr. Evans asked  
18 you about whether or not you had ever disclosed to any of the  
19 investors that there was no limit on when the foreclosure on  
20 the collateral had to take place. Do you remember that  
21 question and statement about that?

22 A. I'm not sure I understand the question; I'm sorry.

23 Q. Well, do you remember discussing with Mr. Evans  
24 earlier this afternoon, about he asked you if you had ever  
25 disclosed to any of the investors that there wasn't any limit

1 on when the collateral had to be foreclosed on?

2 A. Yes, I remember that testimony.

3 Q. Did you deem that to be your legal obligation to  
4 give the investors legal advice about how to interpret the  
5 Joint Venture Agreement?

6 A. No.

7 Q. Aaron Arredondo was your client, right?

8 A. Absolutely.

9 Q. So giving advice to the people that were contracting  
10 with him would be against your interests in representing him,  
11 right?

12 A. Be a conflict of interest between him and them.

13 Q. Now, as far as your information was concerned, a lot  
14 of time you would send out letters that had -- had assertions  
15 in them. Was Aaron Arredondo the source for all those  
16 assertions that you were making?

17 A. Yes.

18 Q. Were any of them based upon knowledge that you had  
19 on a first-hand experience?

20 A. No.

21 Q. The Gilbert Family Trust, you made an initial  
22 assessment about, assessment about what was going on with  
23 that. Let me start with who was Ron Gilbert to you. Is he a  
24 client?

25 A. No, he's not.

1 Q. All right. Is he a beneficiary of the Ron -- or of  
2 the Gilbert Family Trust?

3 A. That's my understanding, yes.

4 Q. Your understanding came from the Trust Agreement  
5 that was provided to you by somebody else, right?

6 A. Correct.

7 Q. And if I remember your testimony earlier, you could  
8 not recall exactly who it was that gave you the Trust  
9 Agreement document, right?

10 A. Correct.

11 Q. Could have been Mr. Ron Gilbert?

12 A. It could have been.

13 Q. Could have been Aaron Arredondo?

14 A. It could have been.

15 Q. Possibly could have come from somebody else?

16 A. It could have come from the Trust attorney.

17 Q. Okay. Now, you've had an initial opinion that after  
18 you read the Trust Agreement that Ronald Gilbert had some  
19 money coming to him, didn't you?

20 A. Yes.

21 Q. And that was based upon the fact that you thought  
22 that he was due disbursements at various ages, right?

23 A. Yes.

24 Q. And you have since changed your opinion about  
25 whether or not that is, in fact, correct, right?

1 A. Yes.

2 Q. And you did that because after, well, frankly, after  
3 you got formally charged in this case you went back and were  
4 able to see that your interpretation was incorrect, right?

5 A. Well, I no longer have the same interpretation I had  
6 originally. I thought it was correct at the time.

7 Q. Now, as far as the assertions you were making about  
8 the Ron Gilbert or the Gilbert Family Trust, you were  
9 asserting to various people that you had a Specific Power of  
10 Attorney, right? In your possession.

11 A. Yes.

12 Q. And did you ever make an assertion to anybody that  
13 you actually controlled the Gilbert Family Trust?

14 A. No.

15 Q. Did you ever make an assertion to anybody that you  
16 actually had the Gilbert Family Trust in your Attorney/Client  
17 Account?

18 A. No.

19 Q. The information that you got about the Specific  
20 Power of Attorney that was signed by Ron Gilbert, that was  
21 given to you by somebody else, right?

22 A. It was.

23 Q. Was that given to you by Aaron Arredondo?

24 A. It was.

25 Q. And your opinion was that that Specific Power of

1 Attorney was valid to be able to encumber the Trust, right?

2 A. Not only was it valid, he had been using it for  
3 quite some time prior to me ever meeting him for investment  
4 collateral.

5 Q. When we were talking about the Gilbert, or when you  
6 were talking with Mr. Evans earlier today about the Gilbert  
7 Family Trust, you said that you should have followed up a  
8 little bit more with the Gilbert Trust after you got that last  
9 letter back from the Trust Administrator; do you remember  
10 saying that?

11 A. Yes.

12 Q. And you specifically said that you were negligent  
13 about that, right?

14 A. Yes.

15 Q. Do you remember that? Negligence, correct me if I'm  
16 wrong, is defined legally as a reasonable person should have  
17 been aware of a particular circumstance, is that right?

18 A. Yes.

19 Q. Is that your interpretation of what you meant by  
20 negligent?

21 A. Yes, I would agree with that.

22 Q. So, in retrospect you look back and you see that you  
23 should have been aware of that at the time, but you were not,  
24 in fact, aware of it?

25 A. Right. Yes.

1 Q. Is that the way that you feel about it when  
2 Mr. Evans asked you at the conclusion, I guess, or near the  
3 end of his direct examination about why you pled guilty to the  
4 conspiracy charge, that you should have been aware of what was  
5 going on?

6 A. Yes.

7 Q. But you, in fact, were not aware of what was going  
8 on.

9 A. Correct.

10 Q. Now, at some point along the way, the Gilbert Family  
11 Trust was something that Mr. Arredondo ceased to be using as  
12 collateral relating to the Joint Venture Agreement he was  
13 doing, is that correct?

14 A. He was supposed to cease using it. As far as I know  
15 he did.

16 Q. As far as whichever new Joint Venture Agreement that  
17 you became aware of, they stopped using the Gilbert Family  
18 Trust and started using this Reserve Fund Cash Certificate  
19 from International Bank, is that right?

20 A. Yes.

21 Q. Now, the source of that information was Aaron  
22 Arredondo, right?

23 A. Yes.

24 Q. He was the one that provided you with all of the  
25 documents which I believe are -- were previously identified, I

1 think, as numbers, number 48 -- 41 -- yeah, 42-A, 42, the  
2 letter that you wrote, number 41, 42-B. That was the things  
3 that were under seal from the International Trust Bank and the  
4 various stuff, that was all provided by Mr. Arredondo, wasn't  
5 it?

6 A. I don't recognize the document by the evidence  
7 number. I'd have to see the actual document.

8 Q. 41, 42-A and B.

9 MR. BRAULT: If I can approach?

10 THE COURT: Yes.

11 BY MR. BRAULT:

12 Q. Showing you what's been marked as Exhibit Number 41,  
13 42-A, and 42-B. Do you remember identifying those previously?

14 A. Yes.

15 Q. Okay. What are those?

16 A. These are the documents from the International Trust  
17 Bank, 42-B, and 42-A. And 41 was the letter to International  
18 Trust Bank giving them indemnification by Aaron.

19 Q. Okay. And when you got those, you believed that  
20 those were documents that legitimately established that he had  
21 a right to use that 6.5 million dollars, right?

22 A. Yes.

23 Q. Now, as far as the Joint Venture Agreements were  
24 concerned, were you ever a direct signatory to those Joint  
25 Venture Agreements?

1 A. No.

2 Q. On some of the documents where the trust or the  
3 collateral was being changed from the Gilbert Family Trust to  
4 the Reserve Cash Certificate, there is a signature line that  
5 is on those agreements, is that right, for you?

6 A. Yes.

7 Q. And that signature line, I think you explained  
8 earlier, was that you were confirming there was an assignment  
9 number relating to that Reserve Fund Cash Certificate, right?

10 A. Yes. That was the purpose of that signature line.

11 Q. And when you were signing that, you were just  
12 essentially saying that Aaron had given you the number, right?

13 A. Yes.

14 Q. Were you ever signing onto the entire document?

15 A. No.

16 Q. Now, it's your belief as far as the money was  
17 concerned that was being deposited into your Attorney/Client  
18 Trust Account, that you were able to distribute that once they  
19 deposited the money in there, and that there was an assignment  
20 number associated with the new Joint Venture Agreements,  
21 right?

22 A. Right. And I believed in each case the Joint  
23 Venture Agreement provided that disbursements were to be made  
24 at the direction of the Joint Venture Manager, who was Aaron.

25 Q. Now, some of the original Joint Venture Agreements

1 that -- did you ever see those?

2 A. Originally, yes.

3 Q. Okay. There's a part in there about the fact that  
4 these interests and this collateral were to not be recorded,  
5 is that right?

6 A. Yes.

7 Q. So it was not going to be officially on file  
8 anywhere, right?

9 A. In my mind what that meant was it wouldn't record it  
10 with the County Recorder's Office anywhere for any purpose,  
11 and there would be no UCC filings.

12 Q. So the way that this was going to work, was that it  
13 was just going to sit there and you were going to hold on to  
14 it, and then -- or hold on to the proof that there was a  
15 Specific Power of Attorney.

16 And that in the event that there was a problem, then  
17 people were going to be able to initiate the process of having  
18 Aaron Arredondo use that Specific Power of Attorney, that he  
19 could get the collateral and then, you know, reimburse the  
20 principal; is that a fair statement?

21 A. Yes.

22 Q. Now, as far as dealing with people that had  
23 investments with Aaron Arredondo, you essentially acted as a  
24 conduit for information from Aaron Arredondo to the investors,  
25 and back and forth, is that fair to say?

1 A. Yes.

2 Q. Was Aaron Arredondo always the source of your  
3 information about what you were relaying to those investors?

4 A. Yes.

5 Q. Now, there were a number of, of documents that  
6 Mr. Evans showed you, that did not have -- that you said  
7 wasn't your signature.

8 A. That's correct.

9 Q. How do you know?

10 A. I know what my signature looks like.

11 Q. Do you remember signing any of those documents that,  
12 you know, that were presented by Mr. Evans where you said  
13 that's not my signature? Did you ever sign a document like  
14 that?

15 A. No. Well, take that back. The one referring to the  
16 12 million dollars is very similar to the one I signed  
17 referring to 3.2 million dollars. I believe it's a direct  
18 reflection of that, except it's not containing my signature,  
19 and got the wrong amount of money in it. It was also not on  
20 my letterhead.

21 Q. Now, Exhibit Number 41, you've got that one up with  
22 you, do you?

23 A. Yes, sir.

24 Q. Okay. That was a letter that Aaron asked you to  
25 write regarding indemnification of the International Trust

1 Bank, is that right?

2 A. It is.

3 Q. Was this pretty much just -- did you write this just  
4 because he asked you to?

5 A. Yeah. He told me that the International Trust Bank  
6 required something in this form for them to go on with their  
7 providing the Cash Certificate.

8 Q. So you wrote it out, correct?

9 A. Yes.

10 Q. And gave it to Mr. Arredondo?

11 A. Yes.

12 Q. But you don't know what happened to it after that,  
13 right?

14 A. No, I don't.

15 Q. Now, down the line, as people were investing money  
16 with Mr. Arredondo, problems started to arise with people  
17 wanting their money to be returned to them, correct?

18 A. Yes.

19 Q. And some of the people started talking to you,  
20 right?

21 A. Yes.

22 Q. Some people started asking that the collateral that  
23 was pledged in these cases be liquidated, right?

24 A. Yes.

25 Q. Did you ever deem that to be your responsibility to

1 actually get the collateral liquidated?

2 A. No.

3 Q. That was Aaron Arredondo's responsibility, in your  
4 opinion, right?

5 A. He managed all functions of the Joint Ventures.

6 Q. Now, you had some involvement with some of -- with  
7 some of these things, right, or attempting to settle some of  
8 these things, right?

9 A. Yes.

10 Q. And that was because you were doing things that  
11 Mr. Arredondo was asking you to do, right?

12 A. Right.

13 Q. One of those things is that you created the default  
14 form, is that right?

15 A. Yes.

16 Q. Now, civil suits were filed against both you and  
17 Mr. Arredondo, is that correct?

18 A. Yes.

19 Q. And there are a number of civil judgments that are  
20 out against you at this point, right?

21 A. Yes.

22 Q. Those all include civil judgments against  
23 Mr. Arredondo, right?

24 A. Yes.

25 Q. Now, you were engaged in some legal work for

1 Mr. Arredondo relating to those civil judgments, or the civil  
2 lawsuits that were filed against the two of you, right?

3 A. Yes.

4 Q. Now, when dealing with the civil suits, isn't it  
5 true that Mr. Arredondo, as one of the conditions of trying to  
6 resolve those civil suits, was insisting that you be removed  
7 as a defendant in those cases?

8 A. Yes.

9 Q. And that was because his assertion was that you had  
10 nothing to do with any of these investments, right?

11 A. Yes.

12 Q. And you didn't have any knowledge about what they  
13 were or how they were being invested, correct?

14 A. Correct.

15 Q. Now, criminal charges were filed against you in this  
16 case, correct?

17 A. Yes.

18 Q. And you were indicted for three counts, correct?

19 A. Yes.

20 Q. You were indicted for conspiracy, right?

21 A. Yes.

22 Q. You were indicted for fraudulent scheme and  
23 artifice?

24 A. Yes.

25 Q. And you were indicted for theft by conversion,

1 correct?

2 A. Yes.

3 Q. Now, the allegation for the theft by conversion and  
4 fraudulent scheme and artifice, there was an allegation that  
5 the amount of money that was involved was over a hundred  
6 thousand dollars, right?

7 A. I don't remember that being involved with that, it  
8 may have been.

9 Q. Now, you were originally looking at mandatory prison  
10 sentences for the theft of the money and the fraudulent scheme  
11 and artifice, correct?

12 A. Yes.

13 Q. And you were looking at mandatory prison time on  
14 each of those counts of at least three years, right?

15 A. I'm not sure what the time limits are, but it was  
16 mandatory prison, yes.

17 Q. And do you recall the maximum for each of those  
18 counts being 12-and-a-half years?

19 A. I don't recall that, but it sounds reasonable.

20 Q. The conspiracy charge was the only offense that was  
21 probation available, is that right?

22 A. That I know of. I'm not familiar with Arizona law  
23 pertaining to these charges.

24 Q. The conspiracy was the same classification felony as  
25 the other one though, wasn't it?

1           A.    Again, I'm not familiar with the Arizona laws, I'm  
2 not sure how the classifications work.

3           Q.    Were you looking at up to 12-and-a-half years for  
4 conspiracy charge as well?

5           A.    I don't know.

6           Q.    You had a lawyer, didn't you?

7           A.    Yes.

8           Q.    Did you talk to your lawyer?

9           A.    Absolutely.

10          Q.    And you would have expected a lawyer to give you  
11 advice so that you would know these things, right?

12          A.    Yes.

13          Q.    It's been a long time since you took your plea  
14 agreement, hasn't it?

15          A.    Yes.

16          Q.    Part of dealing with this case from your perspective  
17 was you entered into an agreement with the State of Arizona to  
18 do what's commonly referred to as a free talk, didn't you?

19          A.    Yes.

20          Q.    And that was basically an agreement that you were  
21 going to sit down with the prosecutor and the investigator in  
22 this case and be able to spill your guts and tell them  
23 whatever it is they wanted to know, with no agreement that you  
24 were going to get anything out of this, right?

25          A.    My understanding was that you sit down and tell them

1 the truth about anything and everything I knew about this  
2 matter.

3 Q. But there was no agreement that you were going to  
4 get any kind of a plea agreement just because you did that.

5 A. That's correct.

6 Q. So you, in fact, did that, didn't you?

7 A. I did.

8 Q. And you openly talked to them at length, right?

9 A. I did.

10 Q. And as a result of that, they gave you the plea  
11 agreement that was where you are guaranteed to get probation,  
12 isn't that true?

13 A. Yes. Provided that I meet the conditions that are  
14 associated with that.

15 Q. One of those conditions is that you testify  
16 truthfully, isn't it?

17 A. Yes.

18 Q. Are you testifying truthfully today?

19 A. I am.

20 Q. Now, as far as the civil judgments are concerned and  
21 the restitution that was part of the plea agreement, that  
22 involves you paying a whole of money, either as judgments or  
23 as restitution to a bunch of different victims, is that right?

24 A. That's true. I'd like to point out that none of  
25 those judgments went through as a result of a trial. They

1 were all entered by default, they weren't contested.

2 Q. Okay.

3 A. Or at least fully contested.

4 Q. Now, you don't have any money to basically pay those  
5 judgments, do you?

6 A. I do not.

7 Q. Did you ever make any assertions to Alex Wilson that  
8 there was 21 million dollars in the Gilbert Family Trust  
9 Account?

10 A. No.

11 Q. And you never did that because you would have known  
12 that to not be true, correct?

13 A. Correct.

14 Q. Now, as far as the activities of Mr. Aaron  
15 Arredondo, he kept his business dealings very secret, didn't  
16 he?

17 A. Yes, he did.

18 Q. He didn't want people to know how he was investing  
19 money, correct?

20 A. Yes. That's correct.

21 Q. And his explanation for that was that he had a  
22 special connection with people that, if he told everybody what  
23 their connection was, and how he was doing this, they would  
24 just go straight to that person and be able to make the money  
25 themselves, right?

1 A. That is what he represented, yes.

2 Q. So you respected his privacy and what was going on  
3 with his business dealings, didn't you?

4 A. Yes, sir.

5 Q. You didn't push him on exactly where the money was  
6 going or things like that?

7 A. Never did.

8 Q. You never knew that Aaron Arredondo was engaged in  
9 any kind of fraudulent activity, did you?

10 A. No.

11 Q. You never knew that he was actually stealing money  
12 from anybody, did you?

13 A. No.

14 Q. You didn't have direct control over the money once  
15 it went to Mr. Arredondo, did you?

16 A. I had no control, direct or otherwise.

17 Q. You didn't have any knowledge about where it was  
18 going, did you?

19 A. No.

20 Q. In your opinion, you were acting as an agent of  
21 Mr. Arredondo to do, to act as his attorney, right?

22 A. Yes.

23 Q. And you were basically there to make him happy and  
24 do what it was that he was asking you to do so that you would  
25 continue to make your \$10,000 a month, right?

1 A. Yes.

2 Q. And in your mind, you only figured out after things  
3 started getting really bad and charges started getting filed  
4 that things were inappropriate and wrong, right?

5 A. Yes.

6 Q. And your opinion now about the red flags that you  
7 should have seen, is because in retrospect you can go back and  
8 look at what was going on through a different lens and see  
9 things differently, right?

10 A. Yes.

11 Q. As far as Mr. Arredondo's business was concerned,  
12 you were of the opinion that the money that he was supposed to  
13 be paying to other people for their investments was going to  
14 be made by him, right?

15 A. I'm not sure I understand that question.

16 Q. Well, money would come into your Attorney/Client  
17 Trust Account, right?

18 A. Yes.

19 Q. From various places?

20 A. Yes.

21 Q. And he was going to invest it in other places,  
22 right?

23 A. Yes.

24 Q. And as far as you knew, he could have been paying  
25 people interest from his other accounts directly to the people

1 that were investing the money, right?

2 A. Yes.

3 Q. And that was the assumption of what was happening,  
4 right?

5 A. Yes.

6 Q. And on limited occasions you were disbursing money  
7 based at his direction to various places, right?

8 A. Yes.

9 Q. And it wasn't your opinion that that was the sole  
10 source of where the investors were going to be getting their  
11 money back from, right?

12 A. No, it was my opinion that he had other accounts  
13 that were being managed for that purpose.

14 Q. As far as your plea to the plea agreement that you  
15 did, you're familiar with the case called North Carolina  
16 versus Alford, right?

17 A. Yes.

18 Q. And the basis of that Supreme Court case is that  
19 people sometimes get placed in a situation where they can't  
20 turn down a deal and so they take a plea agreement, but  
21 they're not admitting guilt, right?

22 A. That's my understanding. However, I didn't make the  
23 plea agreement conditioned upon that.

24 Q. But you thought that's why you were taking the plea,  
25 is because you thought that there was overwhelming evidence

1 against you, correct?

2 A. That, and I didn't believe any jury would ever  
3 believe that I was as stupid as I was in processing this whole  
4 matter.

5 Q. But you were that stupid, weren't you?

6 A. And I was.

7 MR. BRAULT: I have no further questions.

8 THE COURT: Mr. Evans.

9

10 REDIRECT EXAMINATION

11 BY MR. EVANS:

12 Q. You actually had two lawyers helping you, didn't  
13 you?

14 A. Yes.

15 Q. Right. Michael Grayson is in the courtroom today?

16 A. Yes.

17 Q. And Skip Donau is another attorney?

18 A. Yes.

19 Q. They served you well?

20 A. Absolutely.

21 Q. You've done some criminal work, correct?

22 A. Yes.

23 Q. And Mr. Brault asked you, did you explicitly sit  
24 down with Aaron Arredondo and plan to conspire to commit fraud  
25 and scheme, and you said, your answer was what?

1 A. No.

2 Q. Are conspiracies often the result of an open  
3 agreement?

4 A. I'm sorry?

5 Q. Are conspiracies, criminal conspiracies often the  
6 result of open agreements like that?

7 A. From my experience, yes.

8 Q. But, in addition, there are people going the same  
9 direction, helping each other out, that's another way to do a  
10 conspiracy?

11 A. Yes. Yeah.

12 Q. You indicated to Mr. Brault that you really didn't  
13 understand a lot of Mr. Arredondo's businesses. But that's  
14 not true. You knew something about the businesses that you  
15 set up for him.

16 A. Yes.

17 Q. What businesses did you set up for him?

18 A. Eripisa. The United States Bodyguard which, I think,  
19 became World Bodyguard.

20 Q. And what was that business?

21 A. That was supposed to be providing security and  
22 bodyguard services in the entertainment industry.

23 Q. And did Aaron tell you how that business was going,  
24 or how the business went?

25 A. Yes. He told me he was doing very well until

1 somebody that he had contracted with who had a license  
2 necessary to operate that business decided to leave and go on  
3 his own. He no longer had the license to operate. And he had  
4 obtained that license for that individual early on in the  
5 operation of that company. So the first investment we made in  
6 it, we were ready to start working and make the money, and the  
7 person is gone.

8 Q. So the Bodyguard Association, what other businesses  
9 did you set up for him?

10 A. That's the only one I can remember that was set up  
11 that did anything.

12 Q. Okay.

13 A. The other corporations were set up, Remus,  
14 Incorporated, and Romulus L.L.C., I believe it was.

15 Q. And what was their purpose?

16 A. To be there to participate in other Joint Ventures  
17 as an opportunity arose.

18 Q. Did Aaron say whether any of these businesses made  
19 any money?

20 A. No, and I don't think we ever actually discussed it.

21 Q. When Doug Seaver told you that a million dollars  
22 shouldn't be moved until he was satisfied with the collateral,  
23 did you talk to Aaron about that?

24 A. I don't recall specifically, but I'm sure I would  
25 have. Because anything like that that came in I would

1 immediately notify him. But I have no specific recollection.

2 Q. And the money came on in December 3rd and it was  
3 going out on December 4th?

4 A. Yes.

5 Q. At whose instruction?

6 A. Aaron's. I was relying on the fact of the Joint  
7 Venture Agreement says that this disbursements were to be at  
8 the direction of the Joint Venture Manager.

9 Q. Did you look at the Joint Venture Agreement that  
10 Mr. Seaver signed?

11 A. Specifically for that purpose, no.

12 Q. Did you realize that this agreement was different  
13 and that it calls for the money not moving until he is  
14 satisfied with the security?

15 A. No, I believed at the time that he had the same  
16 Joint Venture Agreement everybody else had.

17 Q. So Aaron didn't tell you about the different  
18 agreement?

19 A. No.

20 Q. So, when you're talking about being really blind,  
21 you knew that you got a million dollars, and the very next day  
22 you're sending 145,000 to Motor Sports of Scottsdale, you're  
23 sending \$80,000 back to Our Firm Foundation, then you're  
24 sending \$187,000 on to Riga Latvia, then this \$50,000 wire  
25 transfer to people that you know are previous investors?

1 A. Yes.

2 Q. What -- what justification can you tell the jury,  
3 can you give for giving Mr. Seaver's money to previous  
4 investors, and making it pretend as if it's a return on their  
5 investment?

6 A. That's where the red flags I was talking about that  
7 I consciously or subconsciously decided either to ignore it or  
8 didn't understand in order to go forward with the, what I  
9 believed was in the Joint Venture Agreement between those two  
10 parties.

11 Q. Mr. Arredondo dressed nicely?

12 A. When I knew him, he always looked very professional,  
13 dressed very well, was a very persuasive individual. And  
14 everybody I met through him, the various investors that he  
15 was, would come in contact with, all had the same opinion of  
16 him.

17 Q. He drove a nice car?

18 A. Yes.

19 Q. Did you ever see the Ferrari Spider that was  
20 purchased?

21 A. Yes.

22 Q. Was that a nice car?

23 A. Gorgeous.

24 Q. Were you impressed?

25 A. Yes. I didn't know, I didn't know what, under what

1 condition he had it, but I saw it.

2 Q. But you were just the conduit between Aaron and the  
3 investors?

4 A. This was the role that I was fulfilling.

5 Q. Now -- but if you weren't so blind, you would have  
6 seen what was happening, correct?

7 A. I would certainly hope so.

8 Q. That you were actually defrauding these investors?

9 A. As it turned out, yes.

10 MR. EVANS: No further questions.

11 THE COURT: Jury have any questions of the witness?

12 (No response.)

13 THE COURT: You may step down.

14 A JUROR: You said, oh, have any questions. I  
15 didn't hear what you said.

16 THE COURT: If you have a question write it down.

17 A JUROR: No, I'm good.

18 A JUROR: I do.

19 THE COURT: Write it down.

20 Counsel approach.

21 (Whereupon the Court and counsel confer at the  
22 bench, on the record, out of the hearing of the jurors, as  
23 follows:)

24 (Whereupon the Court and counsel review the jury  
25 questions at the bench.)

1 MR. BRAULT: Yeah, sure.

2 THE COURT: JQ-2 and 3.

3 MR. EVANS: Well, Judge -- no objection.

4 MR. BRAULT: Speculation, Judge.

5 THE COURT: I think it is.

6 MR. EVANS: Which one?

7 THE COURT: The first question.

8 MR. EVANS: Right.

9 THE COURT: Not to mention the fact that it's  
10 insulting.

11 MR. EVANS: We're beyond that.

12 You know, it is speculation unless Mr. Arredondo  
13 told him.

14 THE COURT: Well, that could be the question.

15 MR. EVANS: I would amend the question.

16 THE COURT: Okay. Instead of what do you believe, I  
17 say, did he ever tell you why. Okay.

18 MR. BRAULT: I don't think I can object then.

19 MR. EVANS: And what's the second one?

20 THE COURT: What determines the --

21 MR. EVANS: All right. Okay.

22 THE COURT: Okay on B?

23 MR. EVANS: Yes.

24 MR. BRAULT: Yes.

25 THE COURT: Okay.

1           (Whereupon proceedings continued in open court, on  
2 the record, as follows:)

3           THE COURT: Questions from the jury.

4           How long did Aaron rent his office in the same  
5 building as you?

6           THE WITNESS: I believe it was between, say, three  
7 and six months.

8           THE COURT: If Mr. Arredondo appeared to be so  
9 wealthy, did he ever tell you why he chose you for counsel?

10          THE WITNESS: No.

11          THE COURT: Who determined the \$10,000 a month fee?

12          THE WITNESS: It was a discussion between he and I.  
13 I think I proposed it, he accepted it.

14          THE COURT: Counsel, any follow-up?

15          MR. EVANS: No, Your Honor.

16          MR. BRAULT: No, Your Honor.

17          THE COURT: Any additional questions?

18          (No response.)

19          THE COURT: Sir, you may step down.

20          Let me see counsel at the bench.

21          (Whereupon the Court and counsel confer at the  
22 bench, on the record, out of the hearing of the jurors, as  
23 follows:)

24          THE COURT: If you had any additional witnesses we  
25 can -- we can give them a break.

1 MR. EVANS: No.

2 THE COURT: Okay. So send them home?

3 MR. EVANS: Yes, that's fine.

4 THE COURT: I have a solid morning tomorrow.

5 MR. BRAULT: So start at 10:30?

6 THE COURT: I hope.

7 MR. EVANS: I figure that they'll be, well, Ken  
8 Johnson tomorrow, then Nick Singh, we'll probably be able to  
9 send them home by 2:30, then we can do jury instructions on  
10 Friday.

11 THE COURT: Tomorrow is Friday.

12 MR. EVANS: Yeah. Right. Then Tuesday will be very  
13 short.

14 THE COURT: Okay. All right. So I'll just tell  
15 them 10:30 tomorrow.

16 We'll work on instructions tomorrow afternoon.

17 MR. EVANS: Okay. Thank you.

18 (Whereupon proceedings continued in open court, on  
19 the record, as follows:)

20 THE COURT: All right, ladies and gentlemen, you're  
21 getting off easy again, going to send you home.

22 Remind you again about the admonition. Please don't  
23 discuss the case or let anyone discuss it with you.

24 Regular time tomorrow morning, 10:30 a.m.

25 Have a good evening.

1           (4:20 p.m. Whereupon the jury is excused and leaves  
2 the courtroom, and proceedings continue in their absence, as  
3 follows:)

4           THE COURT: All right. Show the jury has left.  
5           Anything else?

6           MR. EVANS: No, Your Honor.

7           THE COURT: Okay.

8           (4:20 p.m. Whereupon proceedings were adjourned.)  
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STATE OF ARIZONA )

) ss.

COUNTY OF PIMA )

I, VIVIAN SPENCER, a Registered Diplomate Reporter,  
Certified Program Evaluator, Certified Reporting Instructor,  
and Certified Reporter, in and for the state of Arizona, do  
hereby certify that the foregoing transcript of the  
proceedings in Pima County Superior Court is true and accurate  
to the best of my knowledge, skill, and ability.

\_\_\_\_\_  
VIVIAN SPENCER, RDR, CPE, CRI  
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