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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

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CASE NO. 98-761 Civ-Moore

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MARC M. HARRIS et Cie., S.A.,
a foreign corporation, THE
FIRM OF MARC M. HARRIS, INC.,
a foreign corporation, and
MARC HARRIS TRUST COMPANY,
LTD., a foreign corporation,

8

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Plaintiff,

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vs.

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DAVID E. MARCHANT and OFFSHORE
BUSINESS NEWS & RESEARCH, INC.,
a Florida corporation,

12

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Defendants.

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Aran, Correa & Guarch
710 South Dixie Highway
Coral Gables, Florida
March 16th, 1999
10:00 A.M.

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DEPOSITION OF LAWRENCE G. GANDOLFI

20

VOLUME I

21

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taken before JULIO A. MOCEGA, R.P.R. and Notary

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Public in and for the State of Florida at Large,

24

pursuant to Notice of Taking Deposition filed in

25

the above case.

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4 APPEARANCES:

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BY: A. C. Strip, Atty.
575 South Third Street
Columbus, Ohio 43215
On behalf of Plaintiffs

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ARAN, CORREA & GUARCH, P.A.
BY: J. M. Guarch, Jr., Atty.
710 South Dixie Highway
Coral Gables, Florida 33131
On behalf of Defendants.

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13 ALSO PRESENT: Mr. David E. Marchant

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I N D E X

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21 WITNESS EXAMINATION

22

23 Mr. Gandolfi

24

25 Mr. Guarch

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2 THEREUPON:

3 Lawrence G. Gandolfi, was called as a
4 witness and, having been first duly sworn, was
5 examined and testified as follows:

6 DIRECT EXAMINATION:

7 BY MR. GUARCH:

8 Q. Would you state your name, please,
9 sir.

10 A. Lawrence Gandolfi.

11 Q. Mr. Gandolfi, you are here as the
12 corporate representative with the most knowledge
13 concerning the matters in this lawsuit --

14 A. I am.

15 Q. -- Is that correct?

16 A. Yes.

17 Q. Okay, let me first for the record,
18 really not a question but more of a statement.

19 Let me show you our request for
20 production of documents and I am handing you
21 what I got via fax yesterday.

22 MR. STRIP: Okay. You want this
23 on the record?

24 MR. GUARCH: Yes. And I now this
25 morning have received substantially more

1 documents.

2 I am going to need for you to
3 identify these documents as they relate to
4 my request for production of the documents.

5 MR. STRIP: Let me ask you, do you
6 want to do that during a break without
7 consuming the record?

8 MR. GUARCH: Sure. No, no, I
9 don't necessarily want to do it on the
10 record right now unless you believe it can
11 be done that way. It's rather voluminous,
12 but I would like to get the production in
13 accordance with the Federal Rules.

14 MR. STRIP: Yes, all right.

15 MR. GUARCH: Okay.

16 MR. STRIP: Let's try during a
17 break.

18 MR. GUARCH: Why don't I give you
19 back what I got Fedexed and I have given you
20 a copy of our request as well as what I got
21 yesterday and see if you can --

22 MR. STRIP: What I think I am
23 hearing is can you match up the documents
24 with my request?

25 MR. GUARCH: Right.

1 MR. STRIP: We'll try to do that.

2 MR. GUARCH: All right. And I am
3 going to -- I mean, as I say, literally five
4 minutes ago I received all of these
5 documents. I have no idea what is in there.

6 MR. STRIP: All right. I do.
7 They are not going to be terribly helpful,
8 but you asked for them.

9 MR. GUARCH: Within what I
10 received via fax yesterday there are several
11 and, in fact, if memory serves me some of
12 the very first documents are basically
13 illegible.

14 I assume like this, for example.
15 I assume that within what I just got via
16 Fedex this is --

17 MR. STRIP: Yes.

18 MR. GUARCH: So if we can
19 reconcile that and we'll deal with it
20 accordingly and give us a chance to take a
21 look at them.

22 MR. STRIP: These you got by fax
23 you will probably end up throwing them in
24 the waste basket and replace them with the
25 originals.

1 MR. GUARCH: Okay, depends on how
2 we go here. So there is the copy. There is
3 the request, there is what I got and you
4 guys have a little bit of homework to do.

5 MR. STRIP: Consider it done.

6 MR. GUARCH: Also on the record, I
7 am giving you what I have done in three
8 different stacks.

9 First set of supplemental
10 documents response to the Plaintiff's
11 request for production pursuant to Rule
12 16.1. So what I have done is supplemented
13 documents and also responded to your request
14 for production, although the response not
15 being technically due I have got Leo Renaud
16 working on it, but what I want to make sure
17 is we gave you documents. This is your
18 copy.

19 I have got a first set of
20 supplemental documents, second set and a
21 third set. They are all indexed and they
22 are all identified.

23 MR. STRIP: Okay, we'll try to do
24 that with this for you.

25 MR. GUARCH: Okay. So there is

1 first, second and third and I'll try to stay
2 away from these as long as I can so we are
3 not caught up.

4 I want to give you an opportunity
5 to look at the stuff, obvioulsy. But that
6 is that; okay?

7 MR. STRIP: Okay.

8 BY MR. GUARCH:

9 Q. Okay, Mr. Gandolfi, your address,
10 please?

11 A. Address residence or office
12 address?

13 Q. Both?

14 A. Avenida Balboa -- I am speaking
15 Spanish and English. Building Balboa Plaza,
16 office 313, Panama, Republic of Panama.

17 Q. And your residence?

18 A. Mar de Plata, Paitia, Panama,
19 Republic of Panama.

20 Q. Is that a building?

21 A. Yes.

22 Q. Is there a unit number?

23 A. 17B.

24 Q. Do you have a Social Security
25 number?

1 A. 054-34-6024.

2 Q. Are you a U.S. citizen?

3 A. Yes.

4 Q. Do you have any other citizenship?

5 A. No.

6 Q. Your presence here as corporate
7 representative as opposed to Marc Harris, is
8 there a reason for that?

9 A. I am president of the company, I
10 operate the company.

11 Q. Do you believe that you have more
12 knowledge about the company's activities than
13 Mr. Harris?

14 A. I have as much knowledge as Mr.
15 Harris.

16 Q. What is the scope of your
17 responsibilities within -- Let's back up a
18 minute. What entities are identified when one
19 makes a statement The Harris Organisation?

20 A. Well, the Plaintiffs in the case
21 are Marc M. Harris et Cie., S.A., The Firm of
22 Marc M. Harris and the Marc M. Harris Trust
23 Company.

24 Q. Okay, and why are they the
25 Plaintiffs?

1 A. Well, Marc M. Harris et Cie. is a
2 holding company. They are basically the
3 operational companies, I guess the best way that
4 I can get it.

5 Q. Okay, do you have a copy of the
6 article that was written by Mr. Marchant which
7 resulted in this litigation?

8 A. Yes, I do.

9 Q. I'd like to work through this
10 article and see if you could identify for me
11 within the article what statements liable each
12 of the Plaintiffs.

13 Is that a question that makes
14 sense to you?

15 A. Sure, uh-huh.

16 MR. STRIP: Are you waiting for
17 him?

18 BY MR. GUARCH:

19 Q. I would like to -- Maybe it was
20 not an artfully stated question. I would like
21 to work through, I would like for you to work
22 through the article.

23 I can ask you, but I think it will
24 probably take considerable more time than if you
25 work through it. I am trying to determine which

1 statements within the article that was written
2 in your opinion libel Marc M. Harris et Cie.,
3 The Firm of Marc M. Harris and Marc Harris Trust
4 Company?

5 A. Okay, I can quote from the
6 article, I guess?

7 Q. Well, let me ask it this way.
8 The second paragraph of the article reads, "We
9 can disclose Panama's most hype financial
10 service group known as The Harris
11 Organisation."

12 Do you believe that the statement,
13 The Harris Organisation, encompasses the three
14 named Plaintiffs?

15 A. Yes. In fact, Marc M. Harris, et
16 Cie. owns the trademark to The Harris
17 Organisation. It is a trademark.

18 Q. So then The Harris Organisation
19 means all of the entities that come under the
20 umbrella, correct?

21 A. I would say, correct.

22 Q. Or perhaps let me show you a
23 document and let's go ahead and mark this as
24 Exhibit A.

25 It is a document that consist of

1 -- The one you have right in front of you, this
2 particular document consists of four pages. The
3 last page has a heading, The Harris
4 Organisation.

5 When we talk about The Harris
6 Organisation we are talking about all of these
7 entities that are --

8 A. Correct.

9 Q. -- Listed below?

10 A. Yes.

11 Q. So they are all one and the same?

12 A. No

13 (Thereupon, the above-mentioned
14 document was marked as Defendant's Composite
15 Exhibit A for identification this date.)

16 BY MR. GUARCH:

17 Q. That was a bad question. The
18 Harris Organisation is interchangeable for
19 purposes of the statements being made in this
20 article and any reference to these entities with
21 anyone of these?

22 A. Marc M. Harris et Cie. being the
23 holding company which holds all of them.

24 Q. Well, La Firma de Marc M. Harris,
25 Panama, then if I say The Harris Organisation, I

1 am making a statement about La Firma de Marc M.
2 Harris, Panama, correct?

3 A. I assume you are right, yes.

4 Q. Okay.

5 A. Okay, I am going to read from the
6 article because I don't know how to pick out
7 individual things.

8 Q. I mean, to a certain extent if you
9 feel that anytime The Harris Organisation is
10 mentioned that makes reference to all of the
11 entities, then you probably don't need to go
12 through that exercise because all three of the
13 named Plaintiffs come under The Harris
14 Organisation umbrella, correct?

15 A. Correct.

16 Q. We'll get to some specifics, but
17 we probably don't need to go through that.

18 If you would like to, you know,
19 tell me that you could, but I think basically
20 the answer is it all libels each of the
21 Plaintiffs because The Harris Organisation is a
22 general reference, generic reference to all of
23 these entities?

24 A. Yes, yes, agreed.

25 Q. We can set it aside. You don't

1 need to do that.

2 A. I am not going to. I am going to
3 read paragraphs that incorporate. Biggest
4 offshore scam of all time.

5 Q. We don't need to do it. It's not
6 necessary.

7 MR. STRIP: Is withdrawing the
8 question.

9 BY MR. GUARCH:

10 Q. I am not withdrawing the
11 question. I think that your answer basically is
12 that The Harris Organisation means any one of
13 these entities and that is why they are liable.

14 Okay, I just -- the reason for my
15 question, quite obviously, and A.C. is nodding
16 over there, as I read this article I don't see,
17 see any one of these entities mentioned.

18 A. Okay.

19 Q. So I wanted to be sure that from
20 the Plaintiff's standpoint The Harris
21 Organisation means these entities and for that
22 matter any other.

23 Okay, what are your
24 responsibilities within and from here forward we
25 will make reference to The Harris Organisation.

1 If there is any distinction I would ask you to
2 identify them or you will assume that when I say
3 Harris Organisation, I am asking a question
4 about any one of these entities under this
5 umbrella, okay, and maybe we need to clarify
6 that now so we don't have a lot of ongoing
7 confusion.

8 A. We do need to clarify in my mind,
9 okay. I am president of The Firm of Marc M.
10 Harris, Inc. And I am president of Marc M.
11 Harris et Cie., S.A.

12 MR. STRIP: Go slow so he can find
13 these. He is president of this one and
14 then The Firm of Marc M. Harris Inc., let me
15 find it for you.

16 MR. GUARCH: Down here.

17 MR. STRIP: You got it. Let me
18 help you with something off the record.

19 (Discussion off the record.)

20 BY MR. GUARCH:

21 Q. For the record, within Exhibit A
22 The Marc M. Harris Trust Company, Ltd. (Nevis)
23 entity should be under the T.W. Holdings, S.A.,
24 which is on the left and not under the Harris
25 Holdings, Inc. --

1 MR. STRIP: Exactly, you got it.

2 MR. GUARCH: Subumbrella.

3 BY MR. GUARCH:

4 Q. Okay, so you are president of Marc
5 M. Harris et Cie., right?

6 A. Correct.

7 Q. And president of The Firm of Marc
8 M. Harris, BVI?

9 A. Yes. Right.

10 Q. As president of Marc M. Harris et
11 Cie., then do you have responsibilities as it
12 relates to each of these entities below the big
13 Marc M. Harris umbrella, if you will?

14 A. Responsibilities in running et
15 Cie. as a holding company which in turn all of
16 other companies underneath that umbrella have
17 the offices other than the ones that I have said
18 that I am president of.

19 And each of them have various
20 functions and each of them perform various
21 services. But it all comes to the bottom line
22 of et Cie. They don't do individual profit and
23 losses.

24 Q. Okay, how long have you been with
25 The Harris Organisation?

1 A. As a consultant since I believe
2 '95. And as president, and you have these in
3 your interrogatories, for The Firm of Marc M.
4 Harris September the 30th of 1997. For et Cie.
5 December the 8th of 1997.

6 Q. What did you do prior to that?

7 A. Consultant for Marc M. Harris,
8 marketing.

9 Q. Your responsibilities today are
10 basically in the marketing area?

11 A. Marketing and administration.

12 Q. How long were you consultant, a
13 consultant?

14 A. Since '95.

15 Q. What did you do prior to 1995?

16 A. I was retired.

17 Q. How long?

18 A. Since approximately '90 or '91.

19 Q. And what did you do prior to '90
20 or '91?

21 A. Prior to '90, '91 I was the owner
22 of a company called Eagle's Nest Homes.

23 Q. Where are they located?

24 A. Atlanta, Georgia.

25 Q. How long were you the owner of

1 that entity?

2 A. Myself and another gentleman were
3 owners for, since the early eighties.

4 Q. Did you do anything else during
5 those times?

6 A. No.

7 Q. Your sole employment was as owner
8 of Eagle's Nest Homes in Atlanta since the early
9 eighties?

10 A. From the early eighties to '90 or
11 '91.

12 Q. Okay, prior to 1980 or early
13 eighties?

14 A. Basically before that from the
15 early seventies to the early eighties I had
16 worked for Kroll, Colly & McMillan (phonetic).

17 Q. What is that?

18 A. The educational company out of New
19 York, New York. And final stages of that I was
20 a divisional manager, largest division in the
21 world.

22 Q. In sales?

23 A. Yes.

24 Q. Books or that sort of -- When you
25 say --

1 A. P.F. Collier encyclopedias, all
2 books and --

3 Q. Everything that is computerized
4 now?

5 A. Yes, everything that is now
6 computerized. And past that with, in that same
7 time period my partner in Eagle's Nest Homes and
8 myself had a company called United States Solar
9 Industry.

10 Q. Eagle's Nest Homes, it's business
11 was what?

12 A. It is probably one of the largest
13 manufacturers of open panel construction homes.

14 Q. Open panel, what is that?

15 A. Open panel construction is a home
16 which carries the same FHA and VA structural
17 build as a -- None of the plumbing is installed,
18 none of the interior walls, but it is panelized,
19 if you so to speak, trucked to the site.

20 Q. Kind of a prefabed home?

21 A. Yes, but it's not exactly, not
22 like a mobile home or a trailer. It's done in
23 panels, interior walls and all -- They are not
24 covered, though, they are finished on site.

25 Q. So your first venture, if you

1 will, into the investments field was in 1995
2 professionally?

3 A. Professionally, yeah. Uh-huh.

4 Q. I take it that you had personal
5 investments and knowledge that preexisted your
6 becoming a consultant?

7 A. Yes.

8 Q. How did you become a consultant
9 for Marc Harris?

10 A. Met Marc Harris through a mutual
11 friend.

12 Q. Who is that?

13 A. Gentleman by the name of R.E.
14 McMasters.

15 Q. And R.E. McMasters was a personal
16 friend or professional acquaintance of Mr.
17 Harris?

18 A. I don't know if he was a personal
19 friend. I think he was a personal friend of Mr.
20 Harris. When I met him it was through a, an
21 investment show in Costa Rica called SMI, Smart
22 Money Investors or whatever. And --

23 Q. Were you attending that show for
24 personal purposes?

25 A. Yes, for personal purposes, and

1 met McMasters and we talked. He did some
2 workshops and seminars. He informed me about
3 Marc.

4 I went and met Marc. Marc and I
5 became friends. And later on I went to work as
6 a consultant.

7 Q. Was this in 1995?

8 A. It was before 1995.

9 Q. '91 or '92?

10 A. When I met Marc.

11 Q. Did you become a client of Marc
12 Harris at that time? Did he have a business at
13 that time?

14 A. Marc had a business at that time,
15 yes.

16 Q. Were you a client of his
17 initially?

18 A. Yes, uh-huh.

19 Q. Do you still remain a client of
20 his?

21 A. Yes.

22 Q. In 1995 when you became a
23 consultant what were the, some of your
24 responsibilities?

25 A. Developing new literature, setting

1 in motion systems and marketing where they would
2 follow a set pattern.

3 Doing some basic streamlining work
4 as far as administration went, reducing some of
5 the numbers of people or making them more
6 efficient.

7 Q. Would you say that your primary
8 responsibilities or your primary emphasis is in
9 the area of marketing and sales?

10 A. I would say it's my primary
11 talent.

12 Q. Do you make decisions concerning
13 investment strategy?

14 A. No.

15 Q. Who does?

16 A. Investment department?

17 Q. And what does that consist of?

18 A. Consists of four or five people,
19 brokers with broker's licenses and other
20 backgrounds.

21 Q. Do you have off the top of your
22 head the names of those four or five people?

23 A. We had -- Are we talking about
24 present day?

25 Q. I would say present day for

1 purposes of this question? I apologize, I
2 should have qualified that?

3 A. Okay, present day we have a
4 gentleman by the name of Antonio and I can't
5 think of his last name right now, but I will get
6 it for you. Ana Marcela, Javier Arias.

7 Q. How does Mr. Harris play into
8 this? I assume that he has oversight?

9 A. Of the investment division, yeah.

10 Q. Is that primarily what he does?

11 A. Primarily, yes.

12 Q. Client contact, are there sales
13 people or a sales force that --

14 A. Yes, we call it client services,
15 but presently we probably have six or seven.

16 Q. Okay. How are the decisions made
17 concerning relationships with banking entities?

18 Does that come under the
19 investment group of four or five or --

20 A. We have an internal treasury that
21 does the -- We don't call it a banking
22 department, we call it a treasury and they
23 establish and maintain the banking
24 relationships.

25 Q. When we talk about these

1 individuals are they employed by Marc M. Harris
2 et Cie.?

3 A. Et Cie., whatever.

4 Q. Et Cie.?

5 A. No.

6 Q. Who are they employed by?

7 A. Okay, any consultants that we
8 have, we have some full-time consultants, are
9 employed by The Firm of Marc M. Harris, Inc.

10 All of the rest of the employees
11 are La Firma de Marc M. Harris.

12 Q. There are several La Firma de Marc
13 M. Harris. There is Panama, Nicaragua,
14 Argentina?

15 A. Panama.

16 Q. Panama?

17 A. Yes.

18 Q. So all of the employees of The
19 Harris Organisation are either employees of The
20 Firm of Marc M. Harris BVI or the La Firma --

21 A. All of the employees are employees
22 of the La Firma de Marc M. Harris, Panama.

23 Consultants and, consultants are
24 under contract with The Firm of Marc M. Harris,
25 Inc., BVI. You know, in Chile and Argentina

1 they are treated as separate offices, so --

2 MR. STRIP: That is what I
3 thought.

4 THE WITNESS: Yes, so they are
5 employees of La Firma de Marc M. Harris,
6 Chile, and La Firma de Marc M. Harris,
7 Argentina.

8 BY MR. GUARCH:

9 Q. So there are some Chilean
10 employees and some Argentinian employees?

11 A. Yes.

12 Q. But you are employed by -- are you
13 the only employe of Marc M. Harris et Cie.?

14 A. I am president of Marc M. Harris
15 et Cie. I am paid or employed through a
16 company.

17 Q. What company?

18 A. In this particular case it is
19 Catorce, Fourteen, .

20 Q. What is Catorce?

21 A. A company that does consulting
22 services.

23 MR. STRIP: His company. It's not
24 a Marc Harris.

25 BY MR. GUARCH:

1 Q. Is it your company?

2 A. Yes.

3 Q. And your company, I then assume
4 that Catorce charges Marc M. Harris et Cie. for
5 your services as president?

6 A. Charges The Firm of Marc M.
7 Harris, Inc., right.

8 Q. Charges the firm?

9 A. Yes.

10 Q. Is Catorce an entity, Florida
11 corporation?

12 A. Panamanian corporation.

13 Q. Panamanian corporation?

14 A. Yes.

15 Q. You are its sole shareholder; is
16 that correct?

17 A. Yes.

18 Q. President and director?

19 A. No.

20 Q. Who is the president?

21 A. We have nominees, I don't know who
22 it is.

23 Q. So it is a bearer share Panamanian
24 corporation, it has corporate nominees?

25 A. Yes.

1 Q. But you're the beneficial owner?

2 A. The shares are in trust.

3 Q.

4 MR. STRIP: Excuse me, do you
5 understand the term beneficial owner? For
6 whose benefit is the corporation?

7 THE WITNESS: Well, that is a
8 question, okay.

9 MR. STRIP: I just wanted to make
10 sure that you understood the question. It
11 is a legal term, beneficial owner.

12 BY MR. GUARCH:

13 Q. The registration of a corporation
14 requires that an individual be set forth as a
15 beneficial owner beyond bearer shares, beyond
16 nominees, beyond designees. There is an
17 individual that directs and control it. That is
18 a statement.

19 Taking that as a given, and you
20 may quarrel with that statement, but taking that
21 as a given are you the individual that is
22 identified as the beneficial owner of Catorce?

23 A. No.

24 Q. Who is?

25 A. Alan McAloon.

1 Q. And who is Alan McAloon?

2 A. An acquaintance of mine.

3 Q. Does he derive a financial benefit
4 through being the beneficial owner of Catorce?

5 A. No.

6 Q. Why is he the beneficial owner of
7 Catorce and not yourself?

8 A. Because I am a U.S. citizen and I
9 am not the beneficial owner of any foreign
10 corporation.

11 Q. Do you pay U.S. taxes?

12 A. Yes.

13 Q. Do you pay U.S. taxes in
14 accordance with your income derived from Catorce
15 as a result of your responsibilities with
16 Harris?

17 A. Never taken any income from
18 Catorce.

19 Q. Your income goes to a trust?

20 A. Uh-huh.

21 Q. And for whose benefit is the
22 trust?

23 A. At this present time?

24 Q. At this present time?

25 A. Benefit of the trust would be at

1 the present time a friend of mine in Costa Rica.

2 Q. Okay, let's move on for a
3 moment. I know that you tell me that, and you
4 made a statement that your responsibilities
5 encompass marketing and administrative duties,
6 but can you give me a more specific idea of what
7 you do day-to-day?

8 What are your responsibilities,
9 Mr. Gandolfi?

10 A. My responsibilities are to oversee
11 the operation of Marc M. Harris, et Cie. or its,
12 not in its operations, it doesn't have any, but
13 The Firm of Marc M. Harris under which the
14 consultants and the management committee report
15 to me and I don't look at myself as a boss, I
16 look at myself as a coach and we determine
17 together the direction that we want to head in
18 any particular area.

19 Q. So generally speaking the
20 department heads report to you?

21 A. Right.

22 Q. And you report to Mr. Harris?

23 A. Right.

24 Q. As they don't individually report
25 to Mr. Harris, it kind of comes --

1 A. Comes through me.

2 Q. Comes through you?

3 A. Yes.

4 Q. The Harris Organisation in terms
5 of its reputation, range of products can I
6 characterize it as an offshore financial
7 service, is that a fair characterization?

8 A. Fair.

9 Q. Within that there are numerous
10 entities that provide those services?

11 A. Uh-huh.

12 Q. What are they?

13 A. What are the services?

14 Q. Yes?

15 A. We provide nominee directors and
16 officers for other people's corporations or
17 trust. Establish foundations, captive insurance
18 companies, do financial planning, provide
19 services to other service providers in the form
20 of structures, corporations, trusts,
21 foundations.

22 There is an investment arm that
23 does investments. We do some venture capital.
24 That probably encompasses most of it.

25 Q. Is that generally the range of

1 services that a financial, an offshore financial
2 entity provides?

3 A. I think so.

4 Q. Can you compare The Harris
5 Organisation with others; is it large or medium
6 or is it small or how does it, or do you have a
7 basis to even --

8 A. I don't have a basis to say, but
9 it would depend in an industry that --

10 In the Caribbean we are probably
11 one of the largest in the Caribbean, in Central
12 and South America.

13 Now, when you get into London or
14 wherever, and the Channel Islands and the Isle
15 of Man, I don't have a clue, I don't have any
16 idea.

17 Q. Most of the business done is done
18 with Caribbean based client lists, is that --

19 A. Primarily our business is
20 conducted in Central, South America, the
21 Caribbean and North America. We don't do a
22 whole lot in Europe.

23 Q. Not much in the European market?

24 A. No, no.

25 Q. Do you consider yourself present

1 day an expert in the financial services market?

2 A. No, no, sir.

3 Q. How would you characterize your
4 knowledge of the --

5 A. An administrator, a marketer, that
6 would be my suits.

7 Q. Fair to say that Mr. Harris would
8 be the expert in the financial services?

9 A. I don't know him, if Mr. Harris
10 himself personally, but the people that we
11 employ are the experts.

12 Q. Who makes the decision who to
13 employ as financial experts?

14 A. That is a board of directors that
15 review resumes and see what their backgrounds
16 have been, check their backgrounds. It's not
17 wizardry or magic, you know, it is -- Same way
18 that you check a doctor's credentials.

19 Q. Okay.

20 A. Where he went to school and what
21 he has done.

22 Q. But Mr. Harris in effect is the,
23 certainly the founder, correct?

24 A. Correct.

25 Q. Do you know whether Mr. Harris has

1 any licenses for the selling of securities?

2 A. I do not.

3 Q. You don't know whether he does?

4 A. No.

5 Q. Do you?

6 A. No.

7 Q. Are there licensed individuals
8 within The Harris Organisation?

9 A. Yes.

10 Q. How many?

11 A. It could be as many as three, but
12 we don't -- We don't deal in the selling of
13 registered securities except through a broker.
14 We use outside brokers.

15 Q. Well, if I was to question someone
16 within The Harris Organisation as to specifics
17 of the financial services industry who would be
18 able to answer questions as knowledgeable?

19 A. You would have to give me the
20 questions.

21 Q. What is a margin account?

22 A. Antonio would answer that, the
23 investment department.

24 Q. So you don't know?

25 A. No.

1 Q. Mr. Harris, would he know?

2 A. I have no knowledge what Mr.
3 Harris knows or not. I would assume that he
4 does.

5 Q. What are regulation "S"
6 securities?

7 A. I don't know.

8 Q. Would you also assume Mr. Harris
9 would know that?

10 A. I would assume Mr. Harris would
11 know that, yes.

12 Q. What are warrants?

13 A. Jay, I know what "S" securities
14 are and I know what warrants are, but I am not
15 versed on making a big description; what they
16 are and how they function, okay, but in the
17 investment department Antonio has the license to
18 talk to you effectively.

19 Q. What is a futures contract?

20 A. Again, I know what they are, but I
21 am not qualified to talk to you about futures
22 contracts.

23 Q. Same with a put option?

24 A. Again, I know, but I am not
25 qualified to talk to you.

1 Q. Same with a call option?

2 A. Exactly, same answer.

3 Q. How about the specifics of a
4 trust?

5 A. That would have to take you into
6 the legal department.

7 Q. What is a Panamanian Foundation?

8 A. Panamanian Foundation, once again
9 we would have to take you to the legal
10 department or the planning department.

11 Q. I assume Mr. Harris would know
12 what they are, correct?

13 A. I don't know.

14 Q. Are you a shareholder in any of
15 the companies within The Harris Organisation?

16 A. No.

17 Q. Have you ever been?

18 A. Yes.

19 Q. When and of which?

20 A. La Firma de Marc M. Harris for a
21 short time.

22 Q. How did you divest yourself of the
23 shares?

24 A. They were gifted to me and I
25 gifted them back.

1 Q. Why?

2 A. Why?

3 Q. Yes?

4 A. The shares in fact were gifted to
5 me -- I shouldn't even say gifted to me, that is
6 not exactly right. I invested one hundred
7 thousand dollars and met my Panamanian residency
8 requirements and then sold the shares back to La
9 Firma de Marc M. Harris.

10 (Discussion off the record.)

11 BY MR. GUARCH:

12 Q. The investment that you made was
13 for purposes of satisfying requirements in order
14 to get residency in Panama, correct?

15 A. Yes.

16 Q. So suffice to say that it was
17 basically a courtesy that was provided?

18 A. Yes.

19 Q. For you to get your residency?

20 A. Yes.

21 Q. When was this?

22 A. '96 or '97.

23 Q. And that would have been about the
24 same time that you left the United States to
25 live there obviously or no, were you living

1 outside first?

2 A. No, I was living in Costa Rica
3 previous to that since -- I have been living in
4 Costa Rica since --

5 (Discussion off the record.)

6 BY MR. GUARCH:

7 Q. You were living in Costa Rica
8 prior to the time that you moved to Panama?

9 A. Yes, I have been living there
10 since, full-time since '90 or '91. Full-time.

11 Q. Do you file U.S. taxes now?

12 A. Yes.

13 Q. Every year?

14 A. Yes, every year.

15 Q. One of the statements made within
16 the article that was written which is the basis
17 for this lawsuit was that funds were being
18 diverted, I believe the word was stripped out of
19 the company for the benefit of principals of the
20 company or seniors officers.

21 But your testimony is that you
22 don't get paid for your services?

23 A. Correct.

24 Q. What Marc M. Harris pays is paid
25 for the benefit of a trust?

1 A. Yes. I have no problems; ask me
2 how much it is.

3 MR. STRIP: Can I help? If you
4 just ask him how much it is --

5 THE WITNESS: I'll tell you, it
6 would make it easy.

7 MR. STRIP: We are not trying to
8 withhold it. Where it goes he doesn't care,
9 but --

10 BY MR. GUARCH:

11 Q. I am just asking questions?

12 MR. STRIP: Okay.

13 BY MR. GUARCH:

14 Q. Anytime you want to answer a
15 question more responsively than you did, go
16 ahead. By all means open up.

17 MR. STRIP: He is answering your
18 question specifically.

19 MR. GUARCH: I understand that is
20 what he is doing and he was coached well
21 or --

22 MR. STRIP: No, not really.

23 BY MR. GUARCH:

24 Q. Have you ever been deposed before?

25 A. Once or twice.

1 Q. Where, what context, what case?

2 A. We in business for myself we were
3 probably litigated by every Attorney General who
4 wanted to make us a franchise and we were not a
5 franchise, wanted to make us a business op.

6 No, we were a factory supplying
7 products, but every one of them wanted to make
8 us into a franchise.

9 Q. Is this with Eagle's Nest?

10 A. Yes, being in business in the
11 United States, Jay, is a little different world,
12 okay.

13 Q. Well, being in business offshore
14 is a different world. I am in business in the
15 United States.

16 A. Oh, this is Florida, I forgot
17 that.

18 Q. We are in the United States.
19 Let's just take it as a given. I understand
20 your frustration with our systems here.

21 A. Yes.

22 Q. Were that not to be the case you
23 wouldn't be where you are, you know, and none of
24 this is personal.

25 A. And the other deposition, of

1 course, was my incredible divorce which everyone
2 of us have served once or twice. This happened
3 to a two and a half year one.

4 Q. Okay, how much are you paid for
5 your services?

6 A. Seven thousand dollars a month.

7 Q. That is the total of what is paid?

8 A. Total.

9 Q. Has it been the same basically for
10 the last couple of years since you have been
11 associated?

12 A. Exactly the same. Since I became,
13 since I -- When I was consulting I was getting
14 four thousand dollars a month and then when I
15 became president or officer, seven thousand
16 dollars a month.

17 Feel free to ask me about anybody
18 in the firm, I don't care.

19 Q. Well, I mean, we'll probably get
20 to that, but how much does Mr. Harris make?

21 A. Eighty-five thousand dollars a
22 month.

23 MR. STRIP: We are in the wrong
24 business.

25 THE WITNESS: By the way, that is,

1 that is to the best of my knowledge, okay.

2 BY MR. GUARCH:

3 Q. Why does he travel around with so
4 many bodyguards?

5 A. Bodyguards?

6 Q. Uh-huh. Well, you have a security
7 department, don't you?

8 A. Yes, we have.

9 Q. What do they do?

10 A. Secure the building.

11 Q. Does Mr. Gander (phonetic), is Mr.
12 Gander the head of that?

13 A. Chief of security, yes.

14 Q. How many people work under Mr.
15 Gander?

16 A. Most of them are drivers. I don't
17 know how this thing ever got blown into security
18 guards and bodyguards. They are drivers. They
19 are chauffeurs and messengers, to answer your
20 question.

21 Q. Well, they wear bulletproof vests
22 on occasion?

23 A. No, no, no, they never wore
24 bulletproof vests.

25 Q. Never?

1 A. No, never. The answer to your
2 question, we probably have six or seven drivers,
3 but in Panama, Jay -- You are familiar with
4 Panama, a messenger goes everywhere with
5 everything.

6 You go pay your phone bill, you
7 send a messenger. You bank with your
8 messenger. There is no mail. You don't put
9 anything in the mail. You don't put checks in
10 the mail and send them. Three of those guys are
11 forever driving around paying bills and doing
12 normal business.

13 Q. How many people are employed by
14 The Harris Organisation?

15 A. Round numbers?

16 Q. Yes, yes?

17 A. Because I don't exactly. It
18 changes from day to day. Round numbers is 145
19 to 150.

20 Q. Are those numbers, have they
21 changed during the course of the past three
22 years?

23 A. I brought them down from what was
24 two hundred.

25 Q. So over the last three years or so

1 you have gone from two hundred to approximately
2 150?

3 A. Yes.

4 Q. Client base, do you have an
5 approximate number of clients?

6 A. We probably have somewhere in the
7 neighborhood of two thousand corporations that
8 we maintain.

9 Q. Provide services for or maintain?

10 A. Yes, provide services for.

11 Q. Are any of these United States
12 individuals that come for purposes of having
13 services provided or --

14 A. U.S. corporations also.

15 Q. U.S. corporations or U.S.
16 individuals?

17 A. We have U.S. corporations we don't
18 have U.S. citizens as clients at all.

19 Q. There would be U.S. citizens
20 presumably that would own the U.S. corporations?

21 A. I wouldn't presume that, but it
22 could be.

23 Q. It could be?

24 A. Yes, .

25 Q. You don't know, you do business

1 with U.S. entities not U.S. individuals?

2 A. Yes.

3 Q. Interesting. And obviously Mr.
4 Marchant has some interest in specifics here, so
5 he will --

6 MR. STRIP: I would hope.

7 BY MR. GUARCH:

8 Q. Pardon him passing notes to me.

9 MR. STRIP: Absolutely.

10 BY MR. GUARCH:

11 Q. You are a client of The Harris
12 Organisation?

13 A. Catorce is a client of The Harris
14 Organisation and it's in the trust and I am not
15 a beneficial owner.

16 When I say I am a client, I
17 originally went to Marc Harris and I was a
18 client to the tune of thirty thousand dollars.
19 That was my original investment with Marc M.
20 Harris.

21 Q. As an individual?

22 A. As an individual. Not as an
23 individual, as a company.

24 He does not do -- We do not do
25 individual clients, okay, we do not have an

1 individual client.

2 Q. Why?

3 A. We only deal in corporations and
4 structures. There are no individual clients.

5 Q. Why?

6 A. That is our policy.

7 Q. Why?

8 A. It's the way that the company is
9 set up to do business.

10 Q. But my question is what is the
11 underlying basis for refusal to do business with
12 individuals?

13 A. Because it leads into all kinds of
14 security problems or potential securities
15 problems.

16 Q. What kind of securities problems?

17 A. With -- For example, and we don't
18 have any, never have had any because we deal
19 with business the way that we do and we choose
20 to do our business that way.

21 With the S.E.C., for example, and
22 all of the rest of the folks and securities
23 industry -- I can talk to a corporation. I
24 cannot talk to an individual in the U.S. and,
25 Jay, you know that.

1 Q. No, I don't know that. But even
2 if I know that I still need to answer, ask the
3 question.

4 A. We choose to do business that
5 way. That is why.

6 Q. My question is specific to the
7 underlying basis for the policies. Why is, or
8 specifically you have made mention of the fact
9 that there are some issues related to securities
10 and --

11 A. That is one.

12 Q. And the question is what are they,
13 what are the issues?

14 A. That is one and the facts that,
15 that if we were to deal with U.S. citizens we
16 would put them in great jeopardy as far as
17 their, the laws here in the U.S. that concern --
18 a U.S. citizen has to truly be at arms length if
19 he expects to be able to legally defer taxation
20 or defer his inheritance or gift, whatever he
21 wants to a charitable foundation and there is no
22 way that he could be involved, so they are not
23 involved.

24 Q. What are the securities issues
25 that arise should The Harris Organisation choose

1 to do business with an individual?

2 A. Okay.

3 MR. STRIP: Excuse me, I'll object
4 on the record because I think we are asking
5 for legal conclusions, but if you know the
6 answer, of course, go ahead.

7 THE WITNESS: Yes, for my own
8 personal experience, how about; okay? The
9 fact is that --

10 BY MR. GUARCH:

11 Q. Well, I am asking you a question
12 as the individual that sits before me with the
13 most knowledge concerning the facts in this
14 lawsuit and as the corporate representative of
15 the main Plaintiffs.

16 A. Okay.

17 Q. Not as Larry Gandolfi, an
18 individual?

19 A. No, I understand that.

20 Q. Okay.

21 A. But I can only, I can only tell
22 you -- You asked me a question of what
23 liabilities might occur. I have personal
24 knowledge of that.

25 Q. Okay.

1 A. All right. If I were to have a
2 venture capital deal or if I were to have
3 something that I would like you to invest in, if
4 I were to speak to a person individually it
5 would suddenly be the solicitation of the sale
6 of unregistered securities. Simple as that.

7 Q. Okay, what other issues might
8 create a problem as it relates to dealing with
9 individuals?

10 A. I don't have another issue right
11 now.

12 Q. So is it then your testimony that
13 the basis for the policy of The Harris
14 Organisation not to deal with individuals is
15 that it could create securities problems and
16 issues?

17 A. It could create problems for them
18 in their own countries, and also for us.

19 Q. When you then deal with an entity
20 as opposed to an individual how does that change
21 the situation?

22 A. You said the magic word. It is an
23 entity, it doesn't belong to the individuals.
24 It is an entity, it has to follow the laws of,
25 that govern that entity.

1 Q. Are there particular structures of
2 entities that you are limited to dealing with?

3 A. Oh, I don't know if there is
4 particular structures or not. We deal in
5 charitable foundations, trusts, foreign
6 corporations, Panamanian corporations, BVI
7 corporation, captive insurance companies. I
8 don't know if there is a limit to it.

9 Q. What is a captive insurance
10 company?

11 A. A captive insurance company is an
12 insurance company which is organized for one
13 specific purpose or one particular insured.

14 Q. How would it work generally? I
15 mean, what --

16 A. It could work where a corporation
17 would use a captive insurance company and then
18 reinsure and thereby saving money through
19 reinsurance.

20 And once again, I am not the
21 expert. Neither is Marc M. Harris the expert.
22 Now you have to get back into the legal
23 department, the planning department and the
24 people who have the knowledge about these
25 things.

1 Q. But Marc Harris would have more
2 knowledge about these than you?

3 A. I don't know. I really don't, I
4 really don't think, don't think that he would,
5 Jay, I really don't.

6 We are so -- we just talked about,
7 and I am going on open up to you, we just talked
8 about 146 people. This is not a one man shop.
9 May have been when it started. But it sure as
10 heck is not a one man shop now.

11 And we depend heavenly -- excuse
12 me, heavily, not heavenly. What did I do wrong
13 last night. We, we depend heavily on the
14 consultants and the people that we use.

15 Q. What is the Financial Concept
16 I.F.S.?

17 A. Don't have a clue.

18 Q. What is the Financial Concept
19 Marc, M-A-R-C?

20 A. That is in the brochure and I
21 don't have it off the top of my head.

22 I don't remember what, the
23 monetary allotment of something, okay, but I
24 don't remember what it is. But it's in all, in
25 all of the published literature. Not all of it,

1 but it's in published literature.

2 Q. Is there a screening process
3 involved or due diligence process involved in
4 dealing with clients?

5 A. Absolutely.

6 Q. How does that work?

7 A. It works with background
8 investigations, police reports, passport copies
9 and references.

10 Q. Is that done for every potential
11 client of The Harris Organisation?

12 A. Ninety-five percent of them.

13 Q. Why would the five percent escape
14 that?

15 A. Somebody, if a provider such as a
16 Mr. Goldstein needed a structure and did it,
17 that is his due diligence, I sell it to him. He
18 in turn does what he wants to with it. Okay,
19 any of our internal clients, yes.

20 Q. Who is Mr. Goldstein?

21 MR. STRIP: You are deposing him.

22 THE WITNESS: You are deposing him
23 on Thursday, so --

24 MR. STRIP: Arnold Goldstein.

25 BY MR. GUARCH:

1 Q. Who is Mr. Goldstein?

2 A. Mr. Goldstein is a tax attorney in
3 Palm Beach who used to do business with us
4 before Mr. Marchant's article.

5 Q. Mr. Goldstein is in the United
6 States?

7 A. Yes.

8 Q. And he did business with you in
9 what context?

10 A. He purchased from us various
11 structures that he designed for his clients,
12 like corporations, captive insurance companies,
13 foundations, trusts.

14 Q. So he would not be subjected to
15 the scrutiny because he was reselling your
16 services, is that --

17 A. The due diligence -- If I sell a
18 corporation to somebody and they are not my
19 client, I don't have any due diligence to do.

20 Q. So you did due diligence on Mr.
21 Goldstein is your statement, but then if you are
22 selling to him product for someone else you
23 don't care?

24 A. Mr. Goldstein's reputation
25 precedes him. He is an author. He is well

1 known. And he is a tax consultant and a tax
2 attorney, and I am sure that he does his job
3 very well.

4 Q. And he doesn't do business with
5 you any more?

6 A. It is kind of like -- Jay, kind of
7 like being an auto parts house. Also if I sell
8 you brake shoes and you are the local garage and
9 you go down the corner and mess up his brakes,
10 and he kills himself, I got nothing to do with
11 it. I just sold the brake shoes, okay. And we
12 sell wholesale parts; foundations, corporations,
13 whatever.

14 Q. So about five percent of the
15 business goes to someone who then has a --

16 A. It could even be more, be more
17 than that. I don't have a breakdown here. It
18 could be more than that.

19 Q. Okay, so I guess the statement is
20 that you do due diligence, that you do direct
21 business with --

22 A. Yes.

23 Q. But you know certain people like
24 Mr. Goldstein resell these?

25 A. Selling parts.

1 Q. Okay, and Mr. Goldstein is no
2 longer doing business with The Harris
3 Organisation?

4 A. No, no.

5 Q. Why is that?

6 A. Since Mr. Marchant's article.

7 Q. Well, --

8 A. He has chosen to stop doing
9 business with us.

10 Q. Okay, but how do you, how do you
11 associate Mr. Marchant's article with him
12 choosing to do business with you?

13 A. Because he told me that.

14 Q. When did he tell you that?

15 A. Right after the article which
16 would be April, May. His business just fell
17 off.

18 And up till that point it was
19 becoming a very nice relationship and lucrative.

20 Q. Right. And why did he alter that?

21 A. By his own words, he wasn't
22 comfortable any more.

23 Q. But you don't know who he was
24 doing business with?

25 A. When?

1 Q. Prior to the time that he stopped
2 doing business with you?

3 In other words, I think, if I
4 understand your testimony, is that you did due
5 diligence originally on Mr. Goldstein?

6 A. You.

7 Q. But whoever his client base was
8 you wouldn't do diligence on because --

9 A. No, not necessarily.

10 Q. Because it is twice removed I
11 guess, right?

12 A. Yes.

13 Q. The procedures for the diligence
14 on the clients, police reports -- I am sorry,
15 and I didn't jot it down, police reports --

16 A. Sometimes background checks if we
17 have any, any thought. Example, Jay Guarch,
18 practicing attorney, Coral Gables, Florida.

19 You give me your bank references,
20 your personal reference, copy of your passport
21 and a police report. I am not going to do a
22 background check. We don't necessarily do a
23 background check on everybody. Like any other
24 business, certain things send up red flags. We
25 do not accept cash more than nine thousand

1 dollars.

2 Q. Why is that?

3 A. Just for the regulations. Cash
4 today is in our business, is like swallowing
5 poison. You bring me a cashier's check from
6 the Chase Manhattan Bank and the Chase Mahattan
7 Bank knows where the money came from before they
8 accepted it and issued the cashier's check. I
9 don't have to worry about it any more.

10 You come in with a suitcase full
11 of cash and I have big problems. I -- not only
12 the liabilities of what might happen to me as a
13 firm, but the fiduciary responsibilities to all
14 of the clients of the firm, so we don't accept
15 cash.

16 Q. Have these practices always been
17 in effect?

18 A. Yes.

19 Q. When was The Harris Organisation
20 created?

21 A. In terms of The Harris
22 Organisation, the Marc M. Harris et Cie. was
23 incorporated in the middle of 1996 and went into
24 operations January the 1st of 1997.

25 Q. Other than Marc M. Harris et Cie.

1 has, to your knowledge, the Marc M. Harris or
2 The Harris Organisation -- remember, we are
3 talking about a big umbrella, any other entities
4 --

5 A. The umbrella occurred January the
6 1st of 1997.

7 Q. That is it, prior to that there
8 was no Harris Organisation?

9 A. No.

10 Q. Do you know --

11 A. Let me interject. I answer yes
12 and no. Everything is to the best of my
13 knowledge.

14 I mean, I am not -- You know, to
15 the best of my knowledge anything that I tell
16 you, I say no to is to the best of my knowledge,
17 I say no to it.

18 Q. Well, it would have to be,
19 wouldn't it?

20 A. Well, yes. You know, I just
21 wanted to add that in there.

22 Q. You could have an answer that
23 wouldn't --

24 MR. STRIP: I think he is
25 reserving the right to be wrong.

1 THE WITNESS: Yes, that is
2 basically what it is, reserving the right to
3 be wrong.

4 BY MR. GUARCH:

5 Q. No more how much we disagree, we
6 agree that everyone has the right to be wrong, I
7 guess, but my question is to your knowledge,
8 obviously.

9 A. Yes.

10 Q. Prior to 1996 do you know what Mr.
11 Harris was doing, prior to 1996?

12 A. Prior to 1996 he was basically
13 doing the same thing on a smaller scale. Maybe
14 I will help you, maybe I can help you out
15 again.

16 When I met Marc Harris, which is
17 back in '92, '93, somewhere in there, early
18 nineties, it was Marc M. Harris and fifteen
19 girls that was the whole organization. And it
20 has, it has grown into what it is today and so
21 if anything Marc M. Harris is probably more
22 removed from the organization than he has ever
23 been in his life.

24 Because there are specialists who
25 do everything, which is the only way that you

1 can deal with the changes that occur. I mean,
2 we have in-house legal, we have in-house Panama
3 legal, U.S. legal, in-house tax preparation. We
4 have planning, we have client services, we have
5 investments. It is a, it is an organization.
6 It is an organization.

7 Q. But the organization in general
8 has certain quarrels with the way that the
9 United States government wants to deal with
10 other people's finances, doesn't it?

11 A. I don't think so. I don't think
12 -- I don't think that any more than people move
13 to Florida to avoid New York sales tax.

14 Q. My intent is not to personalize
15 this, Mr. Gandolfi, but you have used the
16 example through the answer to your questions
17 about trusts and benefits of trust and my friend
18 and my friend's friend and let's take and
19 perhaps depersonalize that, but let's deal with
20 that concept if we could hypothetically.

21 A. Yes.

22 Q. The bottom line is that assuming
23 that you, assuming that a U.S. citizen is
24 involved with any one of these entities or
25 trusts, the bottom line is that they are

1 creating a situation where they are not paying
2 taxes on the concept of U.S. worldwide taxes?

3 A. I don't agree with that, but I can
4 get into a long discussion about that. The
5 object of any, of anything is to delay or defer
6 taxes not avoid it.

7 I mean, if you take money, if you
8 repatriate money, if you take money from any one
9 of these entities you got a tax liability. But
10 if you want to gift your foundation and later
11 give it to, an orphanage, that is fine.

12 Q. Okay, have the foundation support
13 you and your needs for purposes of --

14 A. No, I don't think that it works
15 that way.

16 Q. Mr. Gandolfi, let's face it, the
17 bottom line to a lot of the structure is to
18 avoid paying taxes in any given country through
19 structure, through legal structure. Take it is
20 a given, I am not trying to -- you know, I am
21 not a U.S. Attorney. This is a libel lawsuit,
22 you know?

23 A. Right.

24 Q. You've got to understand the
25 content.

1 A. So why are we talking about taxes?

2 Q. Well, because, because inherent

3 within this article and inherent within the

4 overview of all of this is the avoidance or the

5 deferral or what have you with taxes, and --

6 A. When I moved to Florida and I left

7 New York, and now we are getting into a thing

8 off the side, did I do something illegal because

9 Florida didn't have a state tax and I no longer

10 had to pay state tax in New York because I moved

11 to Florida? No.

12 Was it part of my moving to

13 Florida? Yes. No state income tax, income

14 tax. People who move to Nevada, no state income

15 tax. Does that make them a criminal in the

16 state that they left? I don't think so. Legal

17 structures.

18 Okay, at the, at the end of the

19 day the word trust is a very funny, a very funny

20 statement because it literally is what it is,

21 okay, give me all of your money, trust me. It

22 is not yours any more. At the end of the day if

23 it is your money you are going to have to pay

24 tax on it. If you benefit from it you are going

25 to have to pay tax on it. But I think most of

1 the, what we do is asset protection.

2 No offense, Jay, nothing personal,
3 no offense A.C., but when I finally got where I
4 didn't have any assets in the U.S., in my
5 divorce if I was asset protected my wife
6 wouldn't even have been able to get a lawyer
7 because there was no pot of gold. No offense,
8 Jay.

9 Q. Is this something that you are
10 proud of?

11 A. Very proud of it. But she got a
12 lot. I wasn't protected, okay. But in my
13 business --

14 Q. Okay, but you are using personal
15 examples, so obviously --

16 A. Let's go to --

17 Q. And Larry, Larry, you are not
18 going to take stuff like this personal because I
19 know --

20 A. No, no.

21 Q. -- From sitting across from you,
22 so I understand that, but the fact of the matter
23 is that the law provides that your wife would be
24 entitled to a portion of your assets in a
25 divorce.

1 A. I agree. What assets?

2 Q. And the concept of what you're
3 telling me is that you asset protect, you are
4 hiding assets.

5 A. There are no frivolous lawsuits in
6 this country, there are no lawsuits?

7 Q. No, no, no, no, let me interrupt
8 you. Okay, let me interrupt you. This is not a
9 philosophical discussion on frivolous lawsuits.
10 We all know -- I am a defense attorney, I am
11 sitting here defending a lawsuit that this
12 gentleman probably believes is frivolous in his
13 mind.

14 A. Uh-huh.

15 Q. Quite to the contrary belief of
16 The Harris Organisation and I understand that.

17 A. Yes.

18 Q. But an individual who creates
19 asset protection --

20 A. Uh-huh.

21 Q. -- Is in fact by its definition
22 protecting assets that exist?

23 A. Why do you buy insurance?

24 Q. Well, you can't insure against a
25 divorce.

1 A. No, but --

2 Q. Or --

3 A. But you are pinning it on divorce.

4 Q. You brought me the example. You
5 know, if there is one place that I shake you,
6 you're getting red because you are bitter about
7 a divorce, but you are bringing it to the
8 table. I am not trying to bring it.

9 A. Many clients' wives protect their
10 assets together, but the asset protection thing
11 is -- classic example. Remember, I was a home
12 builder, a panelized home builder.

13 Q. Right.

14 A. I ship out a home to a dealer who
15 hires a crane to erect the house. The crane is
16 swinging a floor beam and hits somebody in the
17 head.

18 MR. STRIP: An actual case, isn't
19 it?

20 THE WITNESS: Yes, yes, actual
21 case. They sue the crane operator.
22 Obviously, he doesn't have anything. He has
23 got a crane with payments. They sue the
24 dealer for whatever he should have been
25 doing on site to prevent that from happening

1 and maybe that was legitimate and then they
2 sue me as manufacturer of the house for
3 producing the beam.

4 Come on, where are we going here?
5 If your assets are protected before that
6 ever occurred it is protection, asset
7 protection.

8 Okay, most of what we do is asset
9 protection, okay.

10 BY MR. GUARCH:

11 Q. Okay, we are not going to stay on
12 this too long because --

13 A. No, no.

14 Q. Because we could sit here all day
15 and discuss it.

16 A. We could go on into the night.

17 Q. But we -- and in trying to get
18 back into focus of the issues that we are
19 dealing with here and some of the concepts
20 because really, really this stems back to a
21 question which I had which was the underlying
22 basis for policies that exist within The Harris
23 Organisation?

24 A. Okay.

25 Q. Okay. There is notably a

1 difference between asset protection, which by
2 way of example what I own with my wife is
3 protected from a creditor who has only a right
4 against me.

5 A. Yes.

6 Q. In effect that is asset
7 protection. Okay, I mean, very simplistic here,
8 obvioulsy, but that differs from my taking
9 assets which under the laws that exist in the
10 State of Florida, in the State of Florida, okay,
11 and finding a way to protect them from my
12 wife --

13 A. No, no.

14 Q. When she has legal rights to
15 them.

16 A. I can honestly say, and I know of
17 not one case in the firm, we'll call it the
18 firm, the company, where there was any "asset
19 protection" in the husband and wife divorce,
20 not one case, okay.

21 Q. We'll get to that later.

22 A. But assets, and we got into this
23 thing and I didn't want to, I just want to go on
24 record, we are not unpatriotic mongers that want
25 to steal tax revenues from the government.

1 I mean, asset protection and tax
2 not avoidance, but deferment is what we
3 specialize in. Also, you know, --

4 Q. But it's fair to say that the
5 concept behind the deferment is that the
6 deferment will continue perpetually?

7 I know you are not going to admit
8 to me that you are doing something illegal and I
9 am not trying to get you to do that.

10 A. No, no, and we don't.

11 Q. That is why we need to move on.

12 MR. STRIP: Can we agree just to
13 clean it all up here that tax avoidance is
14 not illegal and you are not suggesting that
15 it is; tax evasion is?

16 MR. GUARCH: Yes, yes.

17 MR. STRIP: That is where we are
18 getting -- you are thinking tax avoidance,
19 he is thinking evasion, am I right, David?

20 MR. MARCHANT: Yes, I wanted to
21 say that.

22 BY MR. GUARCH:

23 Q. Let me suggest to that the extent
24 that Larry and I are going to sit here and off
25 the record --

1 (Discussion off the record.)

2 MR. GUARCH: You might be able to
3 add something to it for the purpose of, by
4 all means, you know because --

5 MR. STRIP: You were asking a
6 series of questions, but I wasn't answering
7 your question. He is thinking evasion,
8 and --

9 MR. GUARCH: I don't want, and
10 this is off the record --

11 (Discussion off the record.)

12 BY MR. GUARCH:

13 Q. Back on the record. What is
14 commercial reinvoicing, if you know?

15 A. Commercial reinvoicing, my
16 understanding of it and we'll go back to my
17 understanding of it is where -- virtually
18 commercial reinvoicing is putting a dealer
19 in-between a supplier and the end user.

20 Q. Is that something that The Harris
21 Organisation offers in its scope of services?

22 A. Yes, uh-huh.

23 Q. So give me an example of how --

24 A. Somebody to do all of the auditing
25 and all of the book work and all of the things

1 on parts and pieces that you may use in your
2 business. So therefore add a charge to the
3 part.

4 Q. This is, for example, what Mr.
5 Goldstein would be doing?

6 A. I have no idea. As far as I know
7 we have never done any commercial re invoicing
8 with Mr. Goldstein.

9 Q. But you were in effect selling him
10 products that then he would --

11 A. He designed whatever programs. He
12 is -- That is his business, okay.

13 Okay, I mean, he would -- The way
14 that I understand what Mr. Goldstein does, and
15 like any other financial advisor maybe here in
16 the States, he would look at you and decided
17 that you needed this and this and this to defer
18 whatever taxes for as long a period as you
19 could, and he would then say, okay, you need --
20 Dr. Guarch, you need this and you need this and
21 you need this to defer some taxation.

22 And he would turn around to us and
23 say give me one of those, one of these, give me
24 one of those. That is it. But I wouldn't even
25 necessarily know who that was for; okay?

1 Q. Right, but that differs from
2 commercial re invoicing?

3 A. Yes.

4 Q. I guess I just need to ask you to
5 explain it to me again.

6 A. Commercial re invoicing is if
7 normally you would order all of your office
8 supplies out of this office and --

9 Q. Let's -- Give it to me in an
10 example.

11 A. I am going to give it to you,
12 okay. Just bear with me. And you decided,
13 nope, I am not going to do that any more, it's
14 just driving me crazy. So you come to me and
15 say, I want you to take care of all of my office
16 supplies for me.

17 And I say, well, I've got to get a
18 fee for that. I say, I don't care, add fifteen
19 percent to the office supplies. I am not doing
20 it myself, keeping track and keeping inventory
21 and whatever. So you are hiring somebody to buy
22 the products for you and then re invoice them to
23 you, but they handle all of the books and all of
24 the whatever and for that they get a fee.

25 Q. Okay, and in the context of the

1 services that The Harris Organisation provides,
2 how would that work?

3 A. We might, might do it for you. I
4 mean, just take the office supplies. It
5 wouldn't happen obviously, it wouldn't be a real
6 thing, but we would do re invoicing which means
7 purchase whatever you need.

8 A particular doctor got to selling
9 stuff on the Internet and it drove him crazy.
10 So what he wanted us to do in the re invoicing
11 thing was to go ahead and manage the, his
12 Internet for him, collect the people we
13 inquired, fullfil the people with whatever they
14 required, and then finally pass on to him the
15 ultimate client.

16 Okay, that would be like
17 re invoicing. And we charged him for that.

18 Q. That is a specific example?

19 A. It is a specific example, yes.

20 Q. Where is the doctor from?

21 A. The U.S.

22 Q. I take it then that you were doing
23 business with him through an entity?

24 A. Uh-huh.

25 Q. In order to have consistency in

1 your testimony?

2 A. All doctors are corporations or
3 most of them are. But we could contract, we
4 could contract -- And I don't know if we have
5 ever done this, but, I mean, I would have to
6 think about it, but I wouldn't see anything
7 specifically wrong if you hired us to do your
8 advertising as an individual and we took
9 whatever the ads cost and added fifteen percent
10 on top of that to do your advertising, if you
11 are willing to pay it.

12 Q. Well, but what financial service
13 would you be providing to me?

14 A. Well, it is a service, it's not
15 necessarily a financial service. Re invoicing
16 could be -- of course, the essence of all of
17 that is that you get more time to do what you
18 need to do.

19 So, it seems to work for some
20 people. We don't do a lot of re invoicing. We
21 don't do a lot of re invoicing.

22 Q. The examples that you are giving
23 me of re invoicing are nonfinancial services,
24 they are more --

25 MR. STRIP: Uh-huh.

1 BY MR. GUARCH:

2 Q. They are more --

3 A. Product related.

4 Q. Product related physical services
5 of some sort?

6 A. Yes.

7 Q. That sort of thing.

8 MR. STRIP: If I may, Jay, I think
9 you are working under the assumption that
10 everything that the Harris does is strictly
11 financial service, and I think what Larry is
12 trying to tell you is that some of their
13 work goes beyond that.

14 BY MR. GUARCH:

15 Q. I mean, I previously asked the
16 question what services were provided and at
17 least to my recollection the answer was all
18 financial services related.

19 MR. STRIP: That is correct.

20 BY MR. GUARCH:

21 Q. So you are absolutely correct,
22 A.C., this is something that --

23 A. Well, there is more. You know,
24 we --

25 MR. STRIP: Probably small,

1 though.

2 THE WITNESS: We do some computer
3 consultation for clients because we do have
4 an extremely well versed computer
5 department.

6 BY MR. GUARCH:

7 Q. Sounds like A.C. needs some of
8 that.

9 A. He does.

10 MR. STRIP: I do.

11 THE WITNESS: And he is good
12 friends with the guy. I mean, you know --

13 MR. STRIP: I hadn't thought of
14 it.

15 THE WITNESS: You probably
16 wouldn't get billed, probably, but I will
17 now see that you do.

18 BY MR. GUARCH:

19 Q. But there are nonfinancial service
20 related --

21 A. Yes, especially in the creation of
22 web pages now and things and -- We now are
23 creating softwear. We do software creation
24 which we may ultimately end up selling. So we
25 do nonfinancial things, too.

1 Q. Keeping in mind and when I say The
2 Harris Organisation I mean any of its entities
3 or related entities --

4 By the way, are there any entities
5 that are not identified within this, what we
6 have marked or will mark as Exhibit A?

7 A. Not that I can recall at this
8 time. Jay, I think that is it.

9 Q. Okay, so do any of The Harris
10 Organisation entities have any trust or bank
11 licenses anywhere?

12 A. None of the entities have any bank
13 licenses, no.

14 Q. How about trusts?

15 A. I am not sure of that. I would
16 have to check that.

17 Q. They could have?

18 A. Yes, they could have. I am not
19 sure of that. I -- I will say no to it and it
20 would be a qualified no. I reserve the right to
21 be wrong. I don't know of any.

22 Q. Do you know if there has been any
23 applications for trust licenses that have been
24 turned down perhaps by anyone?

25 A. Not to my knowledge, no.

1 Q. Do you know what the approximate
2 value of the assets that are administered by The
3 Harris Organisation is?

4 A. You are going to have to clarify
5 the question.

6 Q. Well, --

7 A. Administered is one question,
8 control is another question.

9 Q. Well, okay, give me the difference
10 between administer and control?

11 A. The amount of assets that we
12 actually control or that we actually have of
13 people's dollars that we invest or people that
14 have placed in our hands to invest.

15 Q. Someone sends you one of those
16 checks from a known institution that you made
17 reference to the check coming to you from an
18 institution that once you get that that is okay
19 because you know that institution received it.
20 We are talking about actual dollars that are
21 sent to The Harris Organisation.

22 A. Well, sometimes dollars are sent
23 to The Harris Organisation and go back out to --
24 You know, I mean --

25 Q. Or in the direction of The Harris

1 Organisation?

2 A. Well, we administer some
3 corporations that -- This building may be in
4 that corporation, but we have no control over
5 that corporation or we don't have any, any of
6 that corporation's assets, okay.

7 Q. Okay.

8 A. We administered hundreds of
9 millions of dollars. We control, as the
10 financial statement states, 17 million dollars
11 in liabilities that we have to people that we
12 actually invest with or we have their money.

13 Q. Do you operate in-house mutual
14 funds?

15 A. Uh-huh.

16 Q. How many?

17 A. We administer.

18 Q. How many?

19 A. They are down. At one time we did
20 eighty of them, but they have all, they have all
21 been kind of consolidated now.

22 So we are down to probably -- I
23 would have to check the exact number, but we are
24 down to probably maybe fifteen or twenty.

25 Q. When you go from eighty to fifteen

1 or twenty --

2 A. Consolidate them.

3 Q. You just consolidate them. It
4 didn't necessarily change the NAV value of this.

5 The NAV value has always remained the same.

6 Q. Why would you do that?

7 A. It was just basically too much of
8 a headache. If you had a portfolio you could
9 have had in a portfolio a list of thirty funds.
10 Just much easier, for example only, these are
11 not actual numbers, if we had to put you in
12 three funds in your portfolio. They incorporate
13 the same investments, but just put them
14 together.

15 Q. Who manages and makes the
16 investment decisions on these funds?

17 A. It is like programed trading.
18 They are managed via indexes. It is automatic.
19 It's a no brainer. This happens to that; this
20 is what happens.

21 Q. Who creates these
22 indexes?

23 A. The indexes -- No, the indexes are
24 public.

25 Q. I am sorry.

1 A. Okay, I mean, the indexes are the
2 indicators of that particular market, like S&P
3 or OEX or whoever. So we trade the funds
4 against indexes, so nobody has to manage it any
5 more.

6 Q. Are they independently audited,
7 the mutual funds?

8 A. The funds actually -- We are one
9 of the only organisations that give you a NAV
10 value on a daily basis because of a piece of
11 software and that is independently -- the NAV
12 value is, the feed for the NAV value goes into a
13 software that we use that is called Secutron.
14 We can't -- There is nothing you can do about
15 it, it comes out. Everyday a NAV value which
16 audited means NAV value, I guess.

17 MR. STRIP: He asked you the
18 question as to whether it is audited.

19 THE WITNESS: Well, every fund is
20 audited, yeah.

21 BY MR. GUARCH:

22 Q. By who?

23 A. Well, it is audited in-house and
24 then it is reviewed by an independent auditor.
25 It's not a certified audit on each fund.

1 Q. And who is the independent
2 auditor?

3 A. Right now it is Servicios
4 Profesionales. It is here somewhere.

5 Q. Is this the same entity that
6 derives --

7 A. The same one, yes. Here it is,
8 Servicios Profesionales Asociados.

9 Q. And how long have they been
10 independently auditing?

11 A. Since I have been there.

12 Q. Same one?

13 A. Yes.

14 Q. Same people?

15 A. Yes.

16 Q. So they do this on an ongoing
17 basis and have since you have been there?

18 A. Yes.

19 Q. Do you have copies of audits or
20 the audits?

21 A. Well, they are not certified
22 audits, okay. This is the first certified
23 audit.

24 Q. So prior --

25 A. And now it will be, yes.

1 Q. Prior to this audit now that we
2 have received, and for the record we are making
3 reference to --

4 A. December of 1997 audit of Marc M.
5 Harris et Cie.

6 Q. Okay. Prior to that there have
7 been no other certified audits?

8 A. No, no.

9 Q. But there had been independent
10 audits, noncertified, correct?

11 A. Uh-huh.

12 Q. And are those kept on file?

13 A. It would be before my time, but I
14 would have to assume so. But I will gladly find
15 out.

16 Q. Well, but -- Okay.

17 MR. STRIP: Can I help?

18 MR. GUARCH: Sure.

19 MR. STRIP: I think you are both
20 using the wrong term. I think that they
21 have been reviewed previously, but not
22 audited.

23 THE WITNESS: Yes, independent
24 review that is probably correct, a better
25 statement. Yes.

1 MR. STRIP: They have been
2 reviewed, not audited.

3 BY MR. GUARCH:

4 Q. Okay, I mean, but you testified as
5 to whether that has resulted in some sort of
6 report and you assume that it has been, but you
7 will find out?

8 A. Uh-huh.

9 MR. STRIP: I am pretty sure.

10 THE WITNESS: No, there has always
11 been -- No, I remember seeing documents that
12 we have reviewed, the accounting and have
13 found it to be whatever their statement is,
14 okay. Not audited, though.

15 But this is also the first year
16 that et Cie. existed, in 1997.

17 BY MR. GUARCH:

18 Q. But I am talking about The Harris
19 Organisation with these questions as it relates
20 to financial reviews or financial audits and now
21 what is a certified financial audit?

22 A. This is The Harris Organisation.
23 The Harris Organisation or the term Harris
24 Organisation never existed before 1997.

25 I mean, that was part of the --

1 Remember, in 1993 it was Marc M. Harris and
2 fifteen girls.

3 Q. Well, but, you know, --

4 A. And four years later it has become
5 The Harris Organisation; okay?

6 Q. Okay, so let's -- Let me be clear
7 because I don't want to block that.

8 Prior to 1996 when it was Marc M.
9 Harris and fifteen girls what was it known as?

10 A. La Firma de Marc M. Harris.

11 Q. So when we talk about The Harris
12 Organisation and its related entities all of
13 which have been set forth in exhibit A, we have
14 a break point of 1996?

15 A. Somewhere in there, yes.

16 Q. Prior to that it was only La Firma
17 de Marc M. Harris?

18 A. Yes, uh-huh, to the best of my
19 knowledge that is true.

20 Q. And who created all of these
21 entities in 1996?

22 A. Well, they kind of just -- What
23 they did was, as we got bigger and more
24 specialized, these things become independent
25 departments.

1 I mean, it's just like a -- using
2 David as an example, a one man newsletter by his
3 own description. He does everything.

4 If he got to be the Miami Herald,
5 he would have a lot of different arms with a lot
6 of different functions and that is just what
7 happened here.

8 Q. Okay, the question was who created
9 them?

10 A. They are kind of self-created. I
11 mean, what happens is that the offices and board
12 of directors suddenly discover that we need an
13 advertising and graphics department. I think we
14 ought to start one. Well, so they just evolve
15 as to needs of the company.

16 Q. So if I asked you what each one of
17 these entities did you would be able to tell
18 me? I recognize that the word did is a --

19 A. Well, yes, some of them do
20 nothing. They are there for the future and they
21 were created because originally -- For example,
22 La Firma de Marc M. Harris, Panama, and now
23 there is Chile that is active and Argentina that
24 that is active and Costa Rica that is active,
25 but Nicaragua never went active because of the

1 fact that it is there, it is a legal entity, but
2 the great things that were going to happen in
3 Nicaragua just didn't happen.

4 But it's like anything else, we
5 try to reach out in the future and say, okay,
6 this area is going to become a valid viable
7 business for us, so we just duplicate the
8 structures in that area.

9 Q. What is MMH University
10 Corporation, the College for International
11 Financial Planning?

12 A. Marc has a dream and if you will
13 notice on a financial statement it's twenty
14 thousand dollars there. That is it.

15 Marc would like to start a college
16 for international financial planning and get it
17 accredited and graduate international financial
18 planners.

19 Jay, I hope you get to meet him
20 one day. He is an extremely bright person.

21 Q. Well, as you know I personally
22 think he should be sitting here and not you,
23 so --

24 MR. MARCHANT: Can I just say,
25 since I am being sued personally am I able

1 to ask questions as far as it relates to the
2 lawsuit against me legally?

3 MR. GUARCH: Oh, I mean there
4 is --

5 MR. STRIP: I would prefer if you
6 would write them out and let him ask the
7 questions. I have no trouble in his asking
8 any questions at all, but we have an usual
9 procedure.

10 MR. GUARCH: Yes, let's go off the
11 record a minute.

12 (Thereupon, a lunch recess was
13 taken, after which the following procedures
14 were had.)

15 BY MR. GUARCH:

16 Q. Okay, let's go back on. I would
17 like to kind of get, touch back upon some of
18 these mutual funds a little bit and then we'll
19 move on.

20 Mr. Gandolfi, can you explain to
21 me how you consolidate mutual funds from eighty
22 to what I believe you testified are now
23 approximately fifteen to twenty?

24 A. Okay, if you had a Harris Japan
25 Fund, a Harris Singapore Fund, a Harris Malacia

1 Fund you could consolidate those into a Harris
2 Asia Fund.

3 Q. Would this require authorization
4 from those investors that had money in the
5 mutual funds?

6 A. Yes, and the fact is that when we
7 consolidated there were probably no more
8 investors in most of the funds that we then
9 consolidated.

10 Q. Say again now?

11 A. The investors were taken out of
12 the fund or requested to be taken out of the
13 fund, so when the funds had -- We also invest
14 our own money in the funds.

15 Q. When you say your own money --

16 A. The firm's money.

17 Q. The firm's money?

18 A. Retained profits and things we
19 invest in the funds.

20 Q. What would be an example of the
21 Harris Japan Fund?

22 A. I don't have the answer to that.

23 Q. Do you have personal knowledge of
24 specifics of any of the mutual funds?

25 A. Specifics, no. Investments would

1 have all of the knowledge, all of the
2 prospectuses.

3 Q. The decisions to invest in certain
4 funds are made by this investment group?

5 A. The funds have been in existence
6 for a long time, so --

7 Q. But who makes investment
8 decisions?

9 A. They have an investment meeting
10 and the investment group makes the decisions,
11 but as I told you before, everything is now
12 indexed. Everything is automatically against an
13 index.

14 Q. What does that mean, explain that
15 to me?

16 A. Okay, in the U.S. you have the
17 Standard & Poor's index, the OEX index, Nasdaq.
18 There is an index for everything. There is an
19 index for the Dow today. You can invest in an
20 index.

21 Q. Uh-huh.

22 A. And so rather than investing in
23 individual stocks, so to speak, in the U.S., you
24 can invest in an S&P index and by that
25 performance of that index you have -- it's like

1 computerized trading, you have buy points and
2 sell points, get out points. They are all
3 preprogrammed.

4 Q. But these are self-created
5 indexes, they are not an S&P index?

6 A. Oh, no, no, no, these indexes,
7 they -- I mean, all the natural, gold has an
8 index, silver has an index.

9 Q. No, I understand that. I am
10 talking about the Harris mutual funds. The
11 indexes that you referred to are indexes that
12 are created by The Harris Organisation, correct?

13 A. Not necessarily. I mean, we do
14 gold. We do natural resources. We do oil, we
15 do -- I mean, the Japan Fund could be against
16 the Yen, it could be some Yen in it.

17 If you look at the financial, we
18 make considerable money on foreign, foreign
19 exchange rates.

20 Q. But someone makes decisions on
21 what funds to invest in?

22 A. They are researched by the
23 investment department and then a decision is
24 made with the research. And as I told you
25 earlier or we concurred earlier, Marc oversees

1 the investment department.

2 Q. For purposes of being clear on
3 what was somewhat confusing earlier, none of
4 these mutual funds have been independently
5 audited, correct?

6 A. No, they have been reviewed, but
7 never independently audited.

8 Q. Okay.

9 A. To the best of my knowledge which
10 we agree is for all of these answers.

11 Q. And to the extent that there are
12 documents on file with regard to these reviews,
13 we have agreed that you will inquire into that?

14 A. Uh-huh.

15 Q. And will produce them?

16 A. Absolutely.

17 Q. Are the Harris Organisation's
18 mutual funds registered?

19 A. No.

20 Q. To your knowledge does the United
21 States have any jurisdiction over any of these
22 investment products or services?

23 A. No.

24 Q. Does The Harris Organisation do
25 business with, within the United States?

1 A. Through brokers like Smith Barney
2 and what have you, yes.

3 Q. Do they, does The Harris
4 Organisation acting on its own volition, not
5 through a broker, solicit business in the United
6 States?

7 A. No.

8 Q. So there are no telephone numbers
9 or addresses that are held in the United States
10 for The Harris Organisation?

11 A. We have a Miami number, but that
12 is just a satellite line.

13 Q. When you say a satellite line --

14 A. If somebody wants to call us they
15 can call a Miami number. It's not an inbound
16 number, it is a number coming from Miami to
17 Panama.

18 Q. So if someone wanted to
19 communicate with The Harris Organisation they
20 could call a Miami number and do so?

21 A. Yes.

22 Q. Well, then in effect Harris
23 Organisation is doing business in Miami?

24 A. No, we don't conduct any business
25 in Miami.

1 MR. STRIP: The Miami number is
2 not an office here, it's a satellite that
3 calls and relays it by satellite.

4 THE WITNESS: It is not an office,
5 it does not constitute an office.

6 BY MR. GUARCH:

7 Q. That is fine, but the fact of the
8 matter is that I can call a Miami number and
9 communicate The Harris Organisation?

10 A. Directly into Panama, direct to
11 the switchboard in Panama. You don't get
12 anybody in Miami. There is no, there is no
13 intermediate step to it.

14 Q. If I call a Miami number --

15 A. Uh-huh.

16 Q. -- And I tell the Miami number
17 that I am a U.S. citizen interested in investing
18 in funds, does that in some way shape or form
19 change the concept of doing business in Miami?

20 A. First of all, if you tell them
21 that -- You would call from Miami and you would
22 inquire, but you would be talking directly to
23 Panama. You would not be talking to anybody in
24 the U.S.

25 So there is nobody to tell in the

1 U.S., it's direct line to the Panama
2 switchboard. We do not do business with U.S.
3 citizens. We would send you a brochure of our
4 services. If they --

5 Q. What is the difference? I'm
6 having a, I am having trouble understanding what
7 not doing business with the U.S. is. If I as a
8 U.S. citizen can call a Miami phone number and
9 solicit or after having been solicited to do so,
10 do business with The Harris Organisation?

11 A. Well, it would depend. You know,
12 let's say that you decided that you wanted a,
13 take a charitable Panamanian foundation; have at
14 it.

15 And you wanted to gift a
16 foundation, the charitable Panamanian foundation
17 one hundred thousand dollars; okay.

18 Q. So then you are doing business
19 with U.S. citizens?

20 A. We are doing business with a
21 charitable Panamanian foundation. If you are
22 the grantor of that foundation, I am not doing
23 business with you.

24 Q. If Mr. Marchant was to pick up the
25 phone and call that Miami address right now,

1 Miami phone number, excuse me, telling them he
2 is a U.S. citizen and he would like some
3 information, information would be provided,
4 correct?

5 A. Information about our services.
6 Maybe he is a businessman, maybe he is
7 interested in starting a business offshore.

8 We don't solicit investments. We
9 don't solicit investments to U.S. citizens.

10 Q. Well, why do you have a Miami
11 number?

12 A. Basically for the convenience of
13 us, number one. The satellite service, I got
14 one right now where I can call the office, okay,
15 local in Miami. And for people who want to
16 correspond with us, they can call a Miami
17 number. Not have to call a Panama number.

18 And it works in our -- I think it
19 works with our IST department, so --

20 MR. STRIP: I am not going to
21 interrupt, but I want to have an objection
22 as to relevance to our cause of action, but
23 he can answer.

24 BY MR. GUARCH:

25 Q. Do you know who the registration

1 of that Miami telephone number would identify?

2 A. No, I do not.

3 Q. Do you know who set that up?

4 A. Chris Davie.

5 Q. And who is Chris Davie?

6 A. The IST department.

7 Q. Edificio Balboa Plaza, Avenida
8 Balboa, Apartado 6-1097, El Dorado, Panama, do
9 you recognize that address?

10 A. Yes.

11 Q. What is it?

12 A. That is the address of The Harris
13 Organisation where we receive our mail. That is
14 two addresses. Actually, one is the post office
15 box and one is the physical address.

16 Q. Does the Marc Harris law firm mean
17 anything to you?

18 A. No.

19 Q. Never heard of it?

20 A. (Witness shakes head in the
21 negative.)

22 Q. You need to say yes or no because
23 then Mr. Mocega has to rely upon a nodding of
24 the head.

25 A. No, I have never heard of it. I

1 am sorry, that would be tough to write.

2 Q. The Miami telephone number, do you
3 know within what literature it is listed?

4 A. No, I don't. I am not even sure
5 that it is listed in the literature.

6 MR. STRIP: It isn't.

7 THE WITNESS: Uh?

8 MR. STRIP: It's not. I went to
9 look for it the other day.

10 THE WITNESS: It's not.

11 BY MR. GUARCH:

12 Q. But you know the number?

13 A. I know the number, yeah.

14 Q. What is it?

15 A. 908-4122.

16 Q. Are you familiar with an address
17 in Miami, 1601 Northwest 97th Avenue?

18 A. No.

19 Q. Unit C-102?

20 A. Yes, that is Aereo Castillas.

21 Q. What is that?

22 A. A mail drop. That is the UPS
23 drop. That is Aereo Castilla's UPS. If you
24 have a package coming in, if you have books
25 coming in, whatever.

1 Q. So that The Harris Organisation
2 maintains an address in Miami?

3 A. No, we lease a mail drop. They
4 clear customs for us and anything that we might
5 bring in.

6 If we are bringing in a computer,
7 books, pencils, paper, whatever we might be
8 bringing in that we buy, they have a service
9 that deliver it to Miami by U.P.S. and they take
10 it to Panama and clear the customs and deliver
11 it to us.

12 Q. And then your testimony would be
13 that if this telephone number was linked to that
14 address that it would not constitute The Harris
15 Organisation?

16 A. It is not linked with that
17 address.

18 Q. Excuse me?

19 A. No, it's not linked to that
20 address.

21 Q. Well, where is it linked? I
22 thought you said you didn't know?

23 A. I don't know, but I think --

24 Q. How do you know it's not linked to
25 this address?

1 A. I am sure, I know Aereo Castillas
2 and this is not an Aereo Castilla's phone
3 number; okay?

4 I think that it is linked with our
5 satellite service that allows -- We have a line
6 that takes us direct to the satellite and we
7 dial anywhere in the world with that satellite
8 service. Saves us money.

9 And I think this number is part of
10 that satellite service on an incoming line. I
11 am not sure how many people have that number. I
12 have it when I am in Miami.

13 He can call Miami and get us.
14 It's not a published number anywhere that I know
15 of, that I am aware of.

16 Q. Do you know how long the telephone
17 number has existed?

18 A. No.

19 Q. Who would know?

20 A. Chris Davie, IST.

21 Q. If The Harris Organisation is
22 using a Miami number to sell unregistered mutual
23 funds, wouldn't that be inappropriate, if not
24 illegal?

25 A. I am not a lawyer.

1 Q. Well, I am not asking for a legal
2 opinion. I am asking for your opinion as the
3 person with the most knowledge and the corporate
4 representative of The Harris Organisation?

5 A. To a U.S. citizen it would be, it
6 would constitute a breach of SEC regulations.

7 I'll say it once more, we don't
8 have any U.S. citizens investing in any of our
9 funds.

10 Q. You only have corporations that
11 serve as a front for those U.S. citizens,
12 correct?

13 MR. STRIP: Objection.

14 THE WITNESS: No.

15 BY MR. GUARCH:

16 Q. Is it your testimony that you
17 don't have personal knowledge of U.S. citizens
18 that are involved with the entities which you
19 service?

20 A. No, it is my testimony that we
21 have no U.S. citizen invested in our fund.

22 Q. Okay. Is it your testimony that
23 you have no U.S. citizens that are associated
24 with the entities that you provide services to?

25 A. No.

1 Q. Then am I to conclude that your
2 testimony is that you do know of U.S. citizens
3 that are associated with the entities that you
4 provide services to?

5 A. Certainly.

6 Q. But your testimony is that you
7 believe the way in which that is structured is
8 appropriate?

9 A. Yes, sir.

10 Q. Do you believe that The Harris
11 Organisation comes under any particular
12 regulatory authority?

13 A. No.

14 Q. None whatsoever?

15 A. None.

16 Q. What is the procedure for the
17 calculation of the asset values of the mutual
18 funds?

19 A. Whatever the investments or income
20 daily on Secutron, it is an outside provider of
21 values. And it gets printed out at night.

22 Q. Is this Secutron outside service I
23 think you said --

24 A. Uh-huh.

25 Q. Does it come under any standard,

1 accounting standard?

2 A. It's basically a back room
3 software package that is leased to probably, I
4 don't know how many clients they have, but could
5 be brokerage houses. We are a client of theirs.

6 Q. Do you know what FASB 52 is?

7 A. No, no.

8 Q. So I take it that you would have
9 no idea whether these mutual funds are in any
10 way analyzed or evaluated in accordance with
11 FASB 52?

12 A. No.

13 Q. Do you know that they are not?

14 A. No, I don't know. I don't know
15 what the, whatever it is, FASB 52 is.

16 Q. Do you know what GAP is, generally
17 accepted accounting principles?

18 A. I am not an accountant.

19 Q. That wasn't the question.

20 A. GAP is generally accepted
21 accounting principles.

22 Q. Do you know whether they are used
23 for purposes of dealing with valuation of mutual
24 funds?

25 A. No.

1 Q. Once the appropriate structure is
2 in place to deal with entities that are
3 associated with U.S. citizens, how is
4 communication and contact with them conducted?

5 A. Repeat that again.

6 Q. Well, I am taking it as a given
7 based on your testimony that you don't do
8 business with U.S. citizens, you do business
9 with entities that are structured appropriately
10 which have association with U.S. citizens. I
11 think that was your testimony, correct?

12 A. Yes.

13 Q. So once that structure is in place
14 how does the communication occur; is it by
15 mail?

16 If I am appropriately associated
17 with an entity which you provide service to or
18 which you have created, how do you communicate
19 with me?

20 A. If you had a trust you would have
21 a letter of wishes.

22 Q. Okay.

23 A. And we would abide by your letter
24 of wishes. You can change that letter of wishes
25 whenever you want.

1 Q. And if that letter of wishes said
2 that I want all communication regarding my
3 entity to --

4 A. It's not your entity.

5 Q. Regarding the entity with which I
6 am appropriately associated with to come to my
7 Miami address, then that is fine in your
8 opinion, correct?

9 A. We would mail it to the name of
10 the entity and it could go to your Miami
11 address.

12 Q. Whose entity is it?

13 A. The entity belongs to the
14 directors, officers, directors, nominees.

15 Q. Why would I create or why would I
16 be associated with an entity which isn't mine
17 and provides me no benefit?

18 A. You might not be.

19 Q. Why would I give that entity my
20 money?

21 A. The word trust.

22 Q. What does that mean?

23 A. It is a trust. What you are doing
24 is wanting to, your assets or whatever you have
25 to the gifted or later assigned to a charity or

1 whatever it is that you choose to do with it.

2 Why is there a Rockefeller
3 Foundation, a Vanderbilt Foundation.

4 Q. So does that foundation then have
5 a right to provide me as a U.S. citizen with a
6 gift?

7 A. You have -- No, no, you have --
8 you have the right to sit on your foundation
9 council and direct what your funds do.

10 But whereas in a pure trust you
11 have to be totally out of it. You can sit on
12 the foundation board is what you can sit on. So
13 you can have some say in what happens in your
14 foundation. But once again, the person that you
15 need to talk about all of the legalities of this
16 is the in-house legal, U.S. legal. I am not a
17 lawyer and I am not an expert on tax law or
18 foundation law.

19 Q. Well, are you telling me that you
20 are waiving the attorney/client privilege in
21 allowing me to depose your lawyers?

22 MR. STRIP: If you want to ask him
23 a question you have been asking, I would
24 waive that.

25 THE WITNESS: Yes, sure,

1 absolutely.

2 MR. STRIP: As to the questions
3 that you have been asking, I would waive the
4 privilege.

5 BY MR. GUARCH:

6 Q. But having come before me today as
7 the corporate representative for an entity that
8 sued Mr. Marchant and his entity for thirty
9 million dollars --

10 A. Uh-huh.

11 Q. -- Over an article that deals
12 essentially, if not solely, with financial
13 issues, your deferral of knowledge about
14 financial issues of The Harris Organisation is
15 somewhat odd, isn't it?

16 A. No.

17 MR. STRIP: Let me object to the
18 question before he answers, and I'll let him
19 answer, of course, but I say this with
20 respect?

21 I think the questions you're
22 asking, I don't see any relationship to the
23 article yet, I really don't, although again
24 I will provide the lawyers if you want and I
25 will waive the privilege again, but I don't

1 see the relevancy of it.

2 MR. MARCHANT: Tax evasion is
3 money laundering.

4 THE WITNESS: Well, Ponzi, scam,
5 et cetera.

6 MR. GUARCH: Respectfully, in
7 response to you, A.C., the concept of these
8 questions not relating to issues relating to
9 Ponzi schemes, money laundering and all of
10 the other statements made in that article,
11 frankly, respectfully, is ludicrous.

12 I can't fathom how questions over
13 taking monies and putting them in entities
14 and structures to defer, avoid or evade
15 taxes not be relevant to this article. I
16 just, you know, I mean, --

17 MR. STRIP: Tax evasion would be
18 relevant. Tax avoidance isn't relevant.

19 THE WITNESS: Asset protection is
20 not relevant.

21 MR. GUARCH: I am not going to
22 debate. You can instruct him not to answer.

23 MR. STRIP: I wouldn't do that.

24 BY MR. GUARCH:

25 Q. I know you won't do that. I mean,

1 I am not going to debate the questions with
2 you. There is not a question that could be
3 asked that wouldn't be relevant or reasonably
4 calculated to lead to admissible evidence.

5 I am not asking him about, you
6 know, personal issues relating to his
7 relationship with his girlfriend or otherwise.

8 A. No, no, no, I know.

9 Q. I am asking him about issues
10 related to Marc Harris' financial business.

11 MR. STRIP: I don't want to beat
12 it to death, but I am thinking whether the
13 305 number is billed here in Columbus -- not
14 in Columbus, in Miami or billed in Miami.
15 You know, I didn't want to interrupt and I
16 don't want to interrupt.

17 MR. GUARCH: If it is Columbus or
18 not, that is a different issue.

19 MR. STRIP: I meant Miami, but go
20 ahead and ask the question. I forgot what
21 the question was, but I wanted to get the
22 objection on there.

23 What was the last question that I
24 interrupted? I try not to interrupt.

25 MR. GUARCH: I understand. As I

1 did when you took Mr. Marchant's depo.

2 MR. STRIP: Waited till I was
3 done, yes.

4 MR. GUARCH: You spent two days
5 dealing with David and I appreciate that.

6 MR. STRIP: The last question
7 was?

8 BY MR. GUARCH:

9 Q. The question, the last question --
10 Well, doesn't really matter, he answered the
11 question.

12 MR. STRIP: Okay.

13 (Discussion off the record.)

14 BY MR. GUARCH:

15 Q. Are you familiar with an
16 investment in what is known as the Bosque Puerto
17 Carillo project?

18 A. Yes, I am.

19 Q. What was your involvement with
20 that investment?

21 A. I am an investor.

22 Q. And what was the extent of your
23 involvement in that?

24 A. Fairly heavy investor. I believe
25 in the project, still believe in the project.

1 It is one of the most beautiful projects you
2 will ever see.

3 Q. What is it?

4 A. A teak reforestation project.

5 Q. Are you familiar with litigation
6 involved with that?

7 A. Yes.

8 Q. And what is the basis for that
9 litigation?

10 A. In fact, we had some litigation
11 against Bosque. We had loaned the money for a
12 mortgage on a factory and they didn't make the
13 payments on time and we started foreclosure
14 procedures and have since been paid.

15 Q. Were you involved with the company
16 as an officer, director?

17 A. No, I was never an officer,
18 director of the company.

19 Q. Solely an investor?

20 A. Yes, investor.

21 Q. Are you familiar with litigation
22 involving the SEC?

23 A. Yes.

24 Q. What is the nature of that
25 litigation?

1 A. That was for Bosque, a
2 solicitation of the sale of unregistered
3 securities in the United States.

4 Q. Do you know how they were
5 soliciting them?

6 A. Actually, according to Bosque they
7 were not soliciting. All people talked to were
8 in Costa Rica, but to the best of my knowledge
9 the mailing of paid-for shares, just the mailing
10 of the certificate into the U.S. constituted,
11 started the problem.

12 Q. I take it that that is --

13 MR. STRIP: That is not correct.

14 BY MR. GUARCH:

15 Q. A procedure --

16 A. No, not correct, okay.

17 Q. I take it that that is a procedure
18 that you would avoid, you being The Harris
19 Organisation?

20 A. Depends who you mailed it to.

21 MR. STRIP: You want me to clean
22 up the record?

23 MR. GUARCH: No, I don't want you
24 to clean it. It doesn't matter either way
25 because I need to be sure that we have the

1 corporate representative testifying and not
2 his lawyer.

3 MR. STRIP: I'll tell you later
4 just for fun. It is interesting. I will
5 tell you later.

6 BY MR. GUARCH:

7 Q. Do you know what the outcome of
8 that was?

9 A. Still in progress.

10 Q. Do you know where, whether in
11 addition to those allegations that you just
12 referred to there are other allegations?

13 A. No, not that I know of.

14 Q. Have you had any personal
15 involvement in that litigation?

16 A. Uh-huh.

17 Q. How so?

18 A. I was deposed.

19 Q. Well, didn't we establish earlier
20 that you have been deposed with regard to your
21 home business and your family law case?

22 A. Uh-huh.

23 Q. Now there is an additional
24 deposition that was taken of you?

25 A. Uh-huh.

1 Q. Are there any other ones that you
2 may have forgotten earlier?

3 A. Not that I know of.

4 Q. What was the reason for your
5 deposition?

6 A. As an investor, number one. I
7 sold some of the shares when I was in Costa
8 Rica.

9 So as an investor and as a, lack
10 of better term, salesman.

11 Q. When did you sell shares in this
12 project?

13 A. In '90, '91. Why did I do that?

14 Q. Who were you acting on behalf of?

15 A. I was doing some work. I worked
16 for Jardines Alpha which is a real estate
17 company there and I never worked for Bosque
18 Puerto Carillo.

19 And Jardines Alpha, the real
20 estate company, sold shares for Bosque Puerto
21 Carillo, so I sold some shares, bought lots of
22 shares myself. Still have the shares.

23 Q. Is this an employment situation
24 that wasn't mentioned earlier that you just
25 remembered now or -- I don't recall hearing

1 anything about --

2 A. It wasn't employment. I was a
3 free-lance salesman for them. It had nothing to
4 do with employment.

5 Q. Okay, have you -- Other than this
6 particular situation where you were selling some
7 of the Bosque Puerto Carillo shares have you
8 done any other free-lance or other, had any
9 other employment situations within the scope of
10 the period of time that you previously have
11 testified about?

12 A. No, no.

13 Q. That is it?

14 A. That is it.

15 Q. Were there accusations that you
16 were selling unregistered securities to U.S.
17 citizens?

18 A. Not to me. There weren't
19 accusations to me, accusations against Bosque.

20 Q. But your deposition was taken
21 because you were selling Bosque shares?

22 A. Yes, uh-huh, and also, you know, I
23 was an investor.

24 Q. But were the allegations that you
25 were selling the shares inappropriately to U.S.

1 citizens included in all of this?

2 A. The deposition as I recall it was
3 how I became involved, why I became involved,
4 how I got other people involved and it was
5 really quite short.

6 Q. Was there a financial gain
7 associated with your selling of these shares?

8 A. I got paid a commission.

9 Q. When were you deposed?

10 A. I believe it was '91.

11 Q. Do you know Ronald Williams?

12 A. No.

13 Q. Never heard of him?

14 A. Oh, I have heard of him.

15 Q. Okay, what have you heard about
16 him?

17 A. He wanted us to do a private
18 placement for him at Marc Harris. He was going
19 to take --

20 Q. And --

21 A. Well, we sold a good amount of his
22 private placement. It didn't go through. The
23 money was in escrow. Returned the money,
24 returned it to the investors.

25 Q. So was he a client?

1 A. No.

2 Q. During the time that you provided
3 services of -- How could he have not been a
4 client?

5 A. Well, you would have to define
6 client.

7 Q. Well, you define client?

8 A. Well, I will define what Robin
9 Williams -- I will define client. A client is
10 somebody who we manage his assets, protect his
11 assets, manage his money and invest his money.

12 He came and said I have a private
13 placement.

14 Q. What is a private placement?

15 A. He was going to take Josephine's
16 Nightclub, although they weren't going to call
17 it Josephine's, some other gentleman club
18 public.

19 Q. Okay.

20 A. And had the initial offering and
21 he had to reach a certain level in the buy bid
22 prospectus before you continued forward.

23 He presented the investment to us,
24 asked us if we would present to it some folks or
25 if we would like to participate in it.

1 We participated in it to a certain
2 degree. I believe the number was 170 thousand
3 dollars, and the money went in his attorney's
4 escrow and the deal didn't fly, we got the money
5 back.

6 Q. Okay?

7 A. That is our only involvement with
8 Ronald Williams.

9 Q. Well, how would you characterize
10 the Harris Organisation's relationship with
11 Ronald Williams; what was it?

12 A. How to characterize the
13 relationship? Business relationship.

14 Q. What were you, were you investors?

15 A. We were investors.

16 Q. So then The Harris Organisation
17 was an investor in a Ronald Williams project,
18 correct?

19 A. Potential project. It never went
20 anywhere.

21 Q. Well, but you invested money that
22 was returned?

23 A. Yes, invested money that was
24 returned.

25 Q. The money was transferred?

1 A. That was returned, yes. We
2 invested money that was returned, yes.

3 Q. To your knowledge was he ever a
4 director, an officer, otherwise associated with
5 The Harris Organisation?

6 A. No.

7 Q. How about Melvin Ford?

8 A. I know very little about Melvin
9 Ford.

10 Q. What do you know?

11 A. I know that Mr. Marchant said that
12 he was accused of money laundering. He was
13 never accused of money laundering because we
14 background checked him after Mr. Marchant said
15 that.

16 He was accused of assault one
17 time. That is the only thing that he has ever
18 been accused of.

19 Q. And what relationship did he have
20 with The Harris Organisation?

21 A. We did some advertising. He had
22 an advertising company that we paid and he had a
23 -- from what I know of Melvin Ford, he did a,
24 ran a diamond cartel and would put money in The
25 Harris Organisation and we would pay his bills

1 out of there.

2 Q. So he was a client?

3 A. So he was a client.

4 Q. Is he still a client?

5 A. To the best of my knowledge, yes.

6 Q. Do you know when he became a

7 client?

8 A. No.

9 Q. How about Joseph Vigna, V-I-G-N-A?

10 A. Do I know him?

11 Q. Same question, do you know him?

12 A. Yes.

13 Q. Do you know what relationship he

14 has, if any, with The Harris Organisation?

15 A. He was -- I think Joe Vigna did
16 some reinvoicing with the Harris Organisation,
17 but I am not completely sure.

18 Q. So he would have been a client?

19 A. Uh-huh.

20 Q. Do you know when he became a

21 client?

22 A. No, I don't.

23 Q. Do you know if he still is?

24 A. Yes, I do.

25 Q. Is he?

1 A. He has some investments.

2 Q. So he is still a client. Has he
3 had any association other than that as a client,
4 employee, director, officer?

5 A. Of the three Plaintiff companies
6 he has had no association.

7 Q. Remember that my questions are
8 about The Harris Organisation and we
9 characterize anyone of these entities that come
10 under that umbrella as stated by you, so --

11 A. I know for sure not in my time. I
12 don't know before my time.

13 Q. Do you know whether he has ever
14 worked from an office within The Harris
15 Organisation?

16 A. He has never worked within an
17 office from The Harris Organisation to the best
18 of my knowledge; never.

19 Q. And you don't know for certain
20 whether or not he was somehow associated other
21 than as a client?

22 A. No, I don't.

23 Q. Could have been?

24 A. Could have been, could not have
25 been.

1 Q. I want to be sure, Mr. Gandolfi,
2 that we are clear on the definition of the
3 organizations because a moment ago your response
4 was that he hadn't been associated with any of
5 the three Plaintiff organizations.

6 But it seems to me, and correct me
7 if I am wrong, that your testimony is that The
8 Harris Organisation is all of these entities,
9 correct?

10 A. No, no, Marc M. Harris et Cie. is
11 an umbrella, a holding company of organizations
12 and I will correct my testimony.

13 Marc M. Harris et Cie. started 1,
14 January of 1997. Since this has been The Harris
15 Organisation Mr. Vigna has had no directorship
16 or anything of that nature. I will testify to
17 that.

18 Q. But if reference is made to The
19 Harris Organisation it refers to all of these
20 corporations, correct?

21 A. It has only been The Harris
22 Organisation since 1, January of 1997. Since 1,
23 January of 1997 Mr. Vigna has had no
24 involvement.

25 Q. Okay.

1 A. What happened before that --

2 Q. Moving on from Mr. Vigna --

3 A. Okay.

4 Q. Because what I said was that I
5 want to be sure that I am clear on previous
6 testimony. It has nothing to do with Mr.
7 Vigna.

8 I believe that your testimony is
9 that The Harris Organisation means any one or
10 all of these entities?

11 A. The Harris Organisation started to
12 be The Harris Organisation on January the 1st of
13 1997. Before that --

14 Q. Is the Harris --

15 A. Before that there was no Harris
16 Organisation.

17 Q. Are they registered anywhere?

18 A. It is a trademark registered and
19 owned by Marc M. Harris et Cie.

20 Q. And it is registered where?

21 A. I think it has a world registry,
22 but I am not sure about that. So it is
23 registered.

24 Q. Why then did only these three
25 entities bring this lawsuit?

1 A. I was not part of the decision of
2 which entities to bring the lawsuit.

3 However, being that all of the
4 assets at the end of the day fall into Marc M.
5 Harris et Cie., if you are talking about a Ponzi
6 scheme, insolvency, 25 million dollars out of
7 trust, so to speak, then Marc M. Harris et Cie.
8 would have to be the one to show that it
9 wasn't.

10 Because since 1-1-97, which is
11 fifteen months before the article, Marc M.
12 Harris et Cie. is The Harris Organisation. I
13 mean, that is the umbrella. Before that time it
14 wasn't ever known as The Harris Organisation.
15 The analogy is that IBM was once known as
16 International Time out of Rockchester, New York.

17 Q. Yeah.

18 A. So --

19 MR. STRIP: So?

20 THE WITNESS: So there was no
21 Harris Organisation before.

22 MR. STRIP: So what?

23 THE WITNESS: Another sad story.
24 There wasn't any Harris Organisation before
25 Marc M. Harris et Cie., January of 1997.

1 It became the organization, Harris
2 Organisation. At that time that is when the
3 trademark, that is when the name started to
4 be used, that is when the, when we
5 trademarked it.

6 BY MR. GUARCH:

7 Q. How about Anthony Vigna, do you
8 know him?

9 Do you know of any relationship
10 that he has with The Harris Organisation?

11 A. Yes, I do know him, and I believe
12 that he is a small client or is a -- In fact, I
13 believe he has a brokerage account with us, but
14 I am not sure anymore.

15 Q. Do you know whether he has, is
16 currently or has ever been an employee or
17 director of any of the companies within the
18 group, The Harris Organisation?

19 A. He is not currently and I don't
20 know about before.

21 Q. How about James Somerville?

22 A. Other than a passing acquaintance,
23 Somerville is not a director, has had no
24 involvement.

25 Q. Has he been a client?

1 A. Yes, he has been a client.

2 Q. Is he a client currently?

3 A. Yes, he is currently a client.

4 Q. Do you know when he became a
5 client?

6 A. No, I don't.

7 Q. Do you know when Anthony Vigna
8 became a client?

9 A. No, I don't.

10 Q. How about Wallace Bradley Stull?

11 A. Wally Stull, other than a passing
12 acquaintance to some of the principals of the
13 present company, to my knowledge is not a
14 director, has not been a director since January
15 of '97 when this "Harris Organisation."

16 He was a client. I am not sure if
17 he is still a client.

18 Q. Seems to me that all of these
19 individuals may have been directors or employees
20 of entities that you are testifying fall outside
21 of The Harris Organisation umbrella; is that
22 correct?

23 A. I don't understand the question.

24 MR. STRIP: I didn't understand
25 your question.

1 BY MR. GUARCH:

2 Q. Well, there may have been an
3 entity that existed prior to January of 1997 of
4 which these individuals were associated and you
5 are now as I hear you trying to disassociate
6 these entities from The Harris Organisation?

7 A. No, no. There was no Harris
8 Organisation before January 1st of 1997. There
9 wasn't, it wasn't ever called that.

10 Q. So when I read an answer to an
11 interrogatory which we'll get to eventually and
12 it says that Wallace Bradley Stull, for example,
13 has no association with The Harris Organisation
14 as a director, I suspect then that your
15 testimony will be that if he was a director of
16 La Firma de Marc M. Harris prior to January of
17 1997, that that will reconcile the apparent
18 inconsistency in your saying that he wasn't a
19 director of The Harris Organisation, right?

20 A. No, I would say that you would
21 have to ask a different question.

22 Q. Okay, I am going to ask you for
23 purposes of each and every answer that you have
24 given to this deposition today and every answer
25 that you are going to give from now on to take

1 any of these entities or any entity that may
2 have been existing, dissolved or otherwise not
3 existent at this point in time that may at all
4 relate to Marc Harris and answer those questions
5 accordingly.

6 And we are going to be here for
7 days if we don't find a way to reconcile this.
8 Because I got a lot of patience and we are going
9 to have to find a way to define it.

10 I thought we had. It is clear to
11 me we haven't and if you want to see A.C. say
12 how he doesn't think it's relevant I'll start
13 all over and ask the question with ten different
14 qualifications.

15 MR. STRIP: I am not objecting to
16 anything.

17 BY MR. GUARCH:

18 Q. No, I know you are not objecting
19 because he is doing a fine job of playing the
20 game right now and I don't appreciate it.

21 MR. STRIP: Jay, I say I don't see
22 it that way.

23 MR. GUARCH: Well, I understand
24 that.

25 MR. STRIP: I think he is

1 answering your questions.

2 MR. GUARCH: Yes, I know he is,
3 and he is telling me that I have to ask a
4 different question and I am going to ask
5 different questions.

6 MR. STRIP: He is being honest.
7 The way that you posed your questions you
8 have, you left him no choice but to answer
9 the question the way that he did.

10 MR. GUARCH: Well, we are going to
11 sit here and discuss this until we define it
12 and then we are going to put it on the
13 record.

14 MR. STRIP: Ask a general
15 question, go ahead.

16 MR. GUARCH: I have asked general
17 questions; okay?

18 MR. STRIP: He has been pretty
19 specific, Jay.

20 BY MR. GUARCH:

21 Q. I want to go back and I want to
22 define any entity that may ever have been
23 associated with Mr. Harris as falling under The
24 Harris Organisation for purposes of my
25 questions. Because your attempt to use it as a

1 sword or a shield and as a sword or whatever
2 your purpose is, isn't going to happen.

3 We are going to be here forever;
4 okay. So let's try to figure it out right now
5 and define it.

6 You are telling me January of 1997
7 is when The Harris Organisation started, okay?

8 A. Uh-huh.

9 MR. STRIP: Right.

10 BY MR. GUARCH:

11 Q. You are telling me that all of
12 these entities fell under The Harris
13 Organisation.

14 I want to include all of these
15 entities with my questions in general and I
16 thought that I was pretty clear on this back at
17 the beginning of this deposition about The
18 Harris Organisation.

19 A. Uh-huh.

20 Q. Okay, from the beginning of time
21 to date okay, including when Marc Harris only
22 had fifteen girls. Because the definition of
23 The Harris Organisation for purposes of my
24 questions encompasses Mr. Harris from the moment
25 that he left the United States of America.

1 MR. STRIP: Therein lies the
2 problem.

3 BY MR. GUARCH:

4 Q. There it does. So we are going to
5 work it through so we don't have to spend the
6 next --

7 MR. STRIP: Suggestion to help you
8 both?

9 MR. GUARCH: Absolutely.

10 MR. STRIP: Let's not use -- here
11 is what happens. You can put this on the
12 record.

13 Half his questions use the term
14 Harris Organisation and it's easier for me
15 on the outside to be seeing what is
16 happening here. As soon as you hear that
17 you are thinking of 1997 forward.

18 THE WITNESS: Uh-huh.

19 MR. STRIP: For purposes of these
20 questions both of you should forget the term
21 Harris Organisation and just go back in time
22 to Adam and think in terms of that as if the
23 words Harris Organisation wasn't part of the
24 question. Is that what you are saying?

25 MR. GUARCH: Absolutely.

1 MR. STRIP: Okay, that is not what
2 you are asking and --

3 MR. GUARCH: Okay.

4 MR. STRIP: I'm on the outside. I
5 am listening to you.

6 MR. GUARCH: I am going to make a
7 statement that this article does not define
8 The Harris Organisation and that this
9 article refers to Marc Harris and his
10 organization. And with that as a
11 hypothetical that I ask you to assume, I
12 want you to as soon as the questions
13 accordingly. Does that make sense to you?

14 MR. STRIP: I think so. Let's not
15 use the words Harris Organisation. That is
16 when we get in trouble. You are asking
17 questions and he is answering something
18 different. Same thing happened before, so
19 let's not use the words Harris Organisation
20 and let's go back in time to Adam and let's
21 go from there.

22 THE WITNESS: Okay. Let me talk
23 to you a moment.

24 MR. STRIP: You want to step out
25 for a minute?

1 THE WITNESS: Yes.

2 (Discussion off the record.)

3 BY MR. GUARCH:

4 Q. All right, let's go on. When last
5 we were on the record we were dealing with the
6 definition of The Harris Organisation.

7 MR. STRIP: Right.

8 BY MR. GUARCH:

9 Q. And I believe, that if I can just
10 summarize my concern and my issue, is that Mr.
11 Gandolfi is characterizing The Harris
12 Organisation as being an entity that has
13 existence from January of 1997 forward only,
14 correct?

15 MR. STRIP: Right, and in an
16 off-the-record discussion, in an
17 off-the-record discussion I have advised Mr.
18 Gandolfi that I think the nature of your
19 questions were meant to be and from now on
20 will be --

21 THE WITNESS: Correct.

22 MR. STRIP: Assume to be The
23 Harris Organisation from all time, so to
24 speak, which goes back to around '85 and
25 we'll answer now in the broad sense of Marc

1 Harris being in business since '85 as
2 opposed to the narrow sense which I think we
3 were doing starting in 1997. I think will
4 help solve the issue.

5 BY MR. GUARCH:

6 Q. Okay, is that --

7 A. Fine.

8 Q. Is that acceptable to you?

9 A. Acceptable.

10 Q. Do I take that then as a --

11 MR. STRIP: That will change the
12 answers that you previously received.

13 BY MR. GUARCH:

14 Q. Let me start over. Is it your
15 testimony then that The Harris Organisation
16 exists, existed prior to January of 1997?

17 A. Yes, we'll call whatever existed
18 with Marc M. Harris for all time The Harris
19 Organisation; okay?

20 Q. The question is specific. The
21 Harris Organisation is the entity that is, is
22 the entity that is for the most part, if not
23 entirely, referred to in Mr. Marchant's article?

24 A. I agree.

25 Q. My question is, for purposes of

1 the answer of the questions in this deposition
2 do you then characterize The Harris Organisation
3 as an entity that has existed since 1985 or are
4 your questions, your answers, excuse me --

5 A. I am not sure of the year, but
6 take it back to the beginning.

7 Q. Do you still consider yourself to
8 be the individual with the most knowledge
9 concerning The Harris Organisation?

10 A. No, not -- I am one of the
11 individuals. It would take more than me.

12 Q. In 1991 I believe your testimony
13 was that The Harris Organisation consisted of
14 Marc Harris and fifteen girls?

15 A. It was '92 or '93, but yes. Yes,
16 I did testify to that.

17 Q. So as recently as 1993 The Harris
18 Organisation consisted of Marc Harris and
19 fifteen girls?

20 A. Small, uh-huh. Yes.

21 Q. So the only individual that would
22 really have knowledge about The Harris
23 Organisation prior to 1996 would be Marc Harris;
24 is that correct?

25 A. No, as far as all of the records

1 and your questions of directors and who was, all
2 of the records are in the keeping of Beth Anne
3 Gray.

4 She has every record from -- She
5 is our in-house legal counsel and she has all of
6 the corporate structures and what they were from
7 back then.

8 Q. Well, but I am just talking in
9 general. I am not talking about directors in
10 those questions.

11 I am talking about a
12 recharacterization of The Harris Organisation by
13 your own statement to be not an entity that
14 began to exist in January of 1997, but rather an
15 entity that existed in approximately 1985
16 forward, correct?

17 A. Correct.

18 Q. And if we then take this
19 particular article which refers to The Harris
20 Organisation and characterize the statements
21 being made about an entity or a group or an
22 organization that existed since 1985, the only
23 individual that has been there throughout is
24 Marc Harris, is that correct?

25 A. Correct.

1 Q. Referring to The Harris
2 Organisation as an entity that began to exist in
3 1985, does that change answers that you have
4 previously given here today?

5 A. If we can go back and -- The
6 answers that would change would be the ones
7 concerning Stull and Vigna, I would have to go
8 back and re-read those or restate them.

9 Q. Okay, well, I will again then ask
10 you whether Joseph Vigna, other than previously
11 stated role of client, has had any other
12 relationship with The Harris Organisation?

13 A. Okay, I don't know for sure. I
14 have heard that at one time he was a director.
15 Beth Anne Gray would know for sure. She would
16 have that information.

17 Q. And do you know of what entity he
18 would have been a director?

19 A. No, I don't.

20 Q. How about Anthony Vigna?

21 A. That is who we just said.

22 Q. No, I said Joseph Vigna?

23 A. Oh, let me -- I am confused; okay.

24 Q. I am not trying to do that.

25 A. No, no, I know you are not.

1 Q. Maybe sometimes I would be, but I
2 am not now.

3 A. I believe Anthony -- I don't
4 believe that Joseph Vigna was ever --

5 Okay, let me answer it this way.
6 One of them I believe was a director of one of
7 the entities of, at one time. I believe it was
8 Anthony Vigna, not Joseph, but I could have --

9 Q. Do you know of which entity?

10 A. No, I don't.

11 Q. Okay.

12 A. And Beth Anne Gray will have that
13 information.

14 Q. Okay, how about James Somerville?

15 MR. STRIP: Excuse me is that
16 something that you want me to provide for
17 you?

18 MR. GUARCH: Well, --

19 MR. STRIP: If you do, I will
20 write it down.

21 MR. GUARCH: I mean, write it down
22 subject to --

23 MR. STRIP: Okay; Vigna.

24 MR. GUARCH: -- Perhaps being able
25 to clarify that.

1 MR. STRIP: Okay.

2 MR. GUARCH: I may have a document
3 that I can show Mr. Gandolfi later which he
4 can authenticate which may obviate the need
5 --

6 MR. STRIP: I will write it down
7 for now. All right.

8 MR. GUARCH: With regard to those
9 issues.

10 MR. STRIP: Okay.

11 BY MR. GUARCH:

12 Q. How about James Somerville?

13 A. Somerville was a client and
14 nothing more ever that I know of or heard of.

15 Q. And I believe you referred to him
16 as Wally Stull?

17 A. Wally Stull from what I know was
18 introduced to Marc Harris by Robin Baily. They
19 had an investment together and I believe that he
20 also at one time may have become a director of
21 one of the old entities.

22 Again, Beth Anne Gray will have
23 that information and will know the dates
24 exactly.

25 Q. Okay, can you clarify more,

1 clarify for me the recharacterization of The
2 Harris Organisation as you have reflected upon
3 it since we had a bit of a problem defining it?

4 A. I don't understand.

5 Q. Well, we -- The Harris
6 Organisation -- I want to be sure that we are
7 clear on where we are.

8 The Harris Organisation is defined
9 by you now as an entity that begins to exist in
10 approximately 1985?

11 A. It was probably -- The Harris
12 Organisation before it was trademarked in 1997
13 was probably a statement as when Marc Harris
14 grew from whatever his first entity was and
15 added a second entity.

16 I guess that is where you could
17 say that The Harris Organisation might have been
18 born, okay, and of course --

19 Q. When would that be?

20 A. Probably, I would think probably
21 '87 or '88 it might have added a second
22 division.

23 Q. When you sat down here with me
24 today was your impression that The Harris
25 Organisation of which we were referring to an

1 entity that began its existence in 1997?

2 A. Well, the first that I ever heard
3 that the statements called The Harris
4 Organisation was at the end of '96.

5 We just called everything what it
6 was up until that time when I was first with
7 Marc. And then it suddenly started to be called
8 The Harris Organisation, so we trademarked The
9 Harris Organisation.

10 Okay, and the trademark is owned
11 by Marc M. Harris et Cie. so it falls under
12 that.

13 Q. So your first knowledge of The
14 Harris Organisation was at or about this time?

15 A. The term Harris Organisation. I
16 have known The Harris Organisation, but not
17 taken as a literal term that you might call it
18 The Harris Organisation or the use of the, the
19 use of the words as a descriptive term.

20 Q. Would you as corporate
21 representative consider that this legal action
22 was brought with regard to statements made about
23 -- Let me strike that.

24 That this legal action was brought
25 with regard to writings about The Harris

1 Organisation as defined from 1996 forward or
2 from 1985 forward?

3 A. I would, I would think that the
4 article was written about The Harris
5 Organisation from 1996 forward.

6 Q. If you were to be convinced that
7 it was about The Harris Organisation from 1985
8 forward would it change your opinion at all
9 about the lawsuit?

10 A. I don't think so.

11 Q. Let me show you, and I don't want
12 to mark it because I don't want to be all
13 screwy, but let me show you a document which
14 we'll identify anyway as a web page, has a
15 heading the Harris Offshore Center and ask you
16 if you can identify that? Would that be a
17 Harris web page?

18 A. It appears to be one of Harris'
19 web pages.

20 Q. Could you flip through it and see
21 if -- I would like for you to authenticate it if
22 you could based on what I assume is knowledge
23 about the web pages of The Harris Organisation?

24 A. It appears to be authentic to me,
25 okay.

1 Q. Let's go off the record?

2 (Discussion off the record.)

3 BY MR. GUARCH:

4 Q. Back on. There is a page in
5 particular that I am looking for that might -- I
6 just want you to note, read so you can
7 understand perhaps that we are not as vindictive
8 as you think we may be, Mr. Gandolfi, that the
9 web page for The Harris Organisation and maybe
10 you can read that?

11 A. "The Harris Organisation was
12 founded in 1985 and has grown to more than
13 150 professionals at its home office in
14 Panama."

15 Q. So together with your
16 clarification and this document you understand
17 now why we have got a bit of a problem
18 distinguishing The Harris Organisation as an
19 entity that initiated in 1997, correct?

20 A. Uh-huh.

21 Q. And likewise just so you see, I
22 mean, another web page makes a statement that
23 The Harris Organisation has existed since 1985?

24 A. Yeah, well, --

25 Q. At the risk of overkill --

1 MR. STRIP: Yes.

2 BY MR. GUARCH:

3 Q. I would like for you to reflect
4 back upon any of the answers heretofore and
5 obviously now in the future and be sure that we
6 are dealing with questions regarding an entity
7 that has existed since 1985, fair enough?

8 A. Fair enough.

9 Q. Any amendments to any of the prior
10 questions?

11 A. The Vigna and the Stull thing.

12 Q. A.C. is staring up into space. I
13 am not sure that he likes that.

14 MR. STRIP: Well, I don't want to
15 fuss, I just jump on the word "entity."

16 BY MR. GUARCH:

17 Q. Well, yes, let me use the word
18 entity in its --

19 MR. STRIP: In its broadest
20 sense.

21 BY MR. GUARCH:

22 Q. In its very broadest sense.

23 MR. STRIP: It was never
24 incorporated as The Harris Corporation.

25 BY MR. GUARCH:

1 Q. Correct, but reference made to it
2 for purposes of all of these questions.

3 MR. STRIP: Yes.

4 THE WITNESS: To clarify my
5 previous statements, that statement or that
6 terminology was never used to my, to the
7 best of my knowledge till 1996.

8 Now, they have incorporated that
9 terminology and moved it back, but nobody in
10 1985 called anything The Harris
11 Organisation, I'll tell you.

12 Q. How do you know?

13 A. Well, in 1993 or '94 nobody called
14 it The Harris Organisation. I was there.

15 Q. Well Mr. Harris is calling it The
16 Harris Organisation?

17 A. We have coined that phrase and
18 painted the whole wall with that color. I mean,
19 that is it, but -- Point well taken, okay.

20 Q. I take it that you would admit
21 that the article written by Mr. Marchant refers
22 to -- when statements are made to The Harris
23 Organisation based upon what you have seen here
24 today and your reconsideration of previous
25 answers, you would submit that we are referring

1 to an entity, entity in its broadest sense from
2 1985 forward?

3 A. Okay.

4 Q. Its involvement and its behavior,
5 correct?

6 A. I believe the article was written
7 from 1996 forward, but I will accept the fact
8 that The Harris Organisation goes back and I
9 will answer all questions accordingly from 1985
10 forward.

11 Q. Okay. Why do you believe that the
12 article was written from 1996 forward?

13 A. First of all, Mr. Marchant had no
14 knowledge of The Harris Organisation from 1985.
15 His research started in 1996 or '97. I mean,
16 '97 or '98.

17 Whatever exhibits that you have
18 presented have all dealt in the recent time,
19 nothing from back from 1985 or '86 or '87 or
20 '88. So I believe that his article is written,
21 personal belief, it was written from 1996
22 forward.

23 Q. Well, but I am asking for your
24 opinion as a corporate representative of The
25 Harris Organisation actually which has three of

1 its entities as the named Plaintiffs in this
2 lawsuit, so --

3 A. Uh-huh.

4 Q. So I want to be sure that the
5 testimony --

6 A. My opinion, my opinion is --

7 Q. As a corporate representative?

8 A. As a corporate representative.

9 Q. Yes.

10 A. Would be that it would be written
11 from '96 forward.

12 Q. But if I did research today about
13 Christopher Columbus it wouldn't be about
14 Christopher Columbus in 1999, Mr. Gandolfi.
15 Research is that, just that.

16 I am struggling with this opinion
17 of yours that we somehow are not referring to
18 The Harris Organisation prior to 1996?

19 A. By his own article Arnold
20 Goldstein didn't exist in 1985. I will go on
21 through here, but he did exist, okay.

22 Argentine land did not exist in
23 1985. Chile --

24 Q. Maybe it existed in 1991?

25 A. I don't think so.

1 Q. We'll get to some specifics later,
2 I just -- But --

3 A. But that is why I said my opinion,
4 because everything that he slates is in the
5 recent time.

6 Q. Let me show you a document which
7 we would identify as Exhibit B and you know what
8 I am going to do, A.C., and this can be off the
9 record --

10 (Discussion off the record.)

11 BY MR. GUARCH:

12 Q. Let's go back for the record and
13 let's mark Exhibit B as the web page information
14 that was referred to previously.

15 It's under the heading The Harris
16 Offshore Center.

17 MR. STRIP: I forgot what A was.

18 MR. GUARCH: A was The Harris
19 organizational chart.

20 MR. STRIP: That is what I
21 thought.

22 BY MR. GUARCH:

23 Q. Consisting of four pages.

24 MR. STRIP: And B is the web
25 page?

1 THE WITNESS: Web page, okay.

2 MR. STRIP: Did you do a C yet?

3 (Thereupon, the above-mentioned
4 document was marked as Defendant's Composite
5 Exhibit B for identification this date.)

6 BY MR. GUARCH:

7 Q. Why don't you count this. That is
8 17 right there and we'll move along a little
9 bit.

10 MR. MARCHANT: You want me to
11 count them?

12 MR. GUARCH: Yes, I just need the
13 total pages on it, on B.

14 BY MR. GUARCH:

15 Q. Exhibit C will consist of three
16 pages. It will be composite Exhibit C and it is
17 again a resume of Marc M. Harris also from the
18 Internet.

19 (Thereupon, the above-mentioned
20 document was marked as Defendant's Composite
21 Exhibit C for identification this date.)

22 BY MR. GUARCH:

23 Q. And as Composite Exhibit D I will
24 ask you to take a look at a document?

25 MR. MARCHANT: 54, Jay.

1 MR. GUARCH: 54 pages. For the
2 record, composite Exhibit B, the web
3 information was 54 pages.

4 THE WITNESS: I believe, and don't
5 trust my Spanish when I read it, but I
6 believe this is the protocol for the acts,
7 extraordinary acts or change in the acts for
8 The Firm of Marc M. Harris dated April the
9 11th of 1996, and not being --

10 MR. MARCHANT: It is apostilled on
11 the back.

12 MR. STRIP: Yes, but that was
13 certified in 1999.

14 MR. MARCHANT: Certifies a true
15 copy.

16 THE WITNESS: Yes.

17 BY MR. GUARCH:

18 Q. Okay, so we can stipulate
19 perhaps --

20 MR. STRIP: To authenticity.

21 BY MR. GUARCH:

22 Q. It's authentic, and it is a --

23 MR. STRIP: Whatever you want to
24 call it.

25 BY MR. GUARCH:

1 Q. And let's call it a --

2 MR. STRIP: A recording, recorded
3 statement.

4 MR. GUARCH: It is a recorded
5 instrument which sets forth for purposes of
6 introducing it that Joseph Vigna and Wallace
7 Bradley Stull were directors of La Firma de
8 Marc M. Harris, The Firm of Marc M. Harris,
9 S.A. on April 11 of 1996.

10 MR. STRIP: Is this in Panama?

11 THE WITNESS: Uh-huh.

12 MR. MARCHANT: Yes.

13 MR. STRIP: Okay, let's see.

14 Vigna is here and Stull as directors.

15 THE WITNESS: Which Vigna is it,
16 Joseph?

17 MR. STRIP: Joseph Vigna and
18 Stull, directors.

19 MR. MARCHANT: Is that D?

20 MR. STRIP: Exhibit D, recorded
21 instruments showing Vigna and Stull as
22 directors of which one now --

23 THE WITNESS: La Firma.

24 MR. STRIP: Firma.

25 THE WITNESS: La Firma de Marc M.

1 Harris.

2 MR. STRIP: Panama, right.

3 MR. MARCHANT: Yes.

4 (Thereupon, the above-mentioned

5 document was marked as Defendant's Composite

6 Exhibit D for identification this date.)

7 BY MR. GUARCH:

8 Q. Let me ask you to take a look at a
9 document and we'll go ahead and mark it as
10 Composite Exhibit E. Once again what I would
11 really like to do is see if you can identify it
12 and authenticate it and if you can't, please
13 tell me.

14 It has for purposes of
15 identification a stamp on the top that says
16 Wallace B. Stull, apparently partially cut off,
17 but something 20 Village Square, Orinda,
18 California. And has what appears to be on the
19 bottom a Harris Organisation stamp.

20 MR. STRIP: You have seen this.

21 MR. MARCHANT: There are actually
22 two documents attached.

23 THE WITNESS: Yes, this is -- Does
24 this belong to this?

25 BY MR. GUARCH:

1 Q. There are two, actually.

2 A. This is another exhibit.

3 Q. I am sorry, just pull that one
4 out.

5 MR. STRIP: Okay, this is the
6 Stull letter?

7 THE WITNESS: From '92, May the
8 28th of 1992?

9 (Thereupon, the above-mentioned
10 document was marked as Defendant's Composite
11 Exhibit E for identification this date.)

12 BY MR. GUARCH:

13 Q. Correct. I mean, is this
14 recognizable to you as a Harris Organisation
15 stamp?

16 A. Let me see if it is a received
17 stamp.

18 Q. Yes.

19 A. I have never seen this stamp
20 before, but it looks like it is.

21 MR. STRIP: That is what it says.

22 THE WITNESS: Yes. I have never
23 seen it before, but it looks like it.

24 MR. MARCHANT: You weren't there
25 in '92?

1 THE WITNESS: Uh-huh.

2 BY MR. GUARCH:

3 Q. This was preceding the time of
4 your involvement, obviously, with The Harris
5 Organisation?

6 A. Oh, yeah. Yes.

7 Q. The document obviously speaks for
8 itself, but have you seen this document before,
9 do you recognize it?

10 A. No, no.

11 Q. Would you kindly as best as you
12 can read it into the record for me?

13 A. "Dear Marc, hope you and family
14 are well. Just a note to explain my
15 progress. I have met with Roni and he has a
16 copy of my house title. My broker at
17 Shearson Lehman has been instructed to close
18 my accounts in send via wire transfer. The
19 balance is to Banco Nacional de Panama as
20 per your standard wire transfer
21 instructions. Memo: The amount and other
22 details will be faxed to you upon
23 completion. Please deduct the 125 dollars
24 for Roni and 12 hundred and fifty dollars
25 for money orders. Please fax number above

1 the following when available. Confirmation
2 wire transfer, Quantum's Bank balance
3 including transfer. Memo noting money
4 order, S.A."

5 No, "monum" orders.

6 MR. STRIP: Money.

7 THE WITNESS: "Money orders, S.A.,
8 safe custody in my favor."

9 BY MR. GUARCH:

10 Q. Do you know who -- There is a
11 second page to it?

12 A. Oh, I am sorry. The top is cut
13 off. It starts with "interest in my house."

14 MR. STRIP: Unhappily --

15 THE WITNESS: "Unhappily, there
16 was no interest in my house, no offers as of
17 yet. I am going to try some extra
18 advertising. I am planning to return to
19 Panama June the 18th. I will see you then.
20 I have collected some modeling and talent
21 agency management info for Nancy. San
22 Francisco area, Orlando area, Orange County,
23 California and L.A. area. I will bring them
24 with me or if you need them sooner let me
25 know and I will send them. Thanks W."

1 BY MR. GUARCH:

2 Q. There is something on the bottom,
3 isn't there?

4 A. P.S., get organized, damn it."

5 MR. MARCHANT: Signed?

6 THE WITNESS: Signed "W."

7 BY MR. GUARCH:

8 Q. Can you authenticate this as a
9 note from Mr. Stull to Marc Harris?

10 A. Can I authenticate it? It has
11 got a Wally Stull address on top, but I can't
12 authenticate it. I don't know if that is his
13 handwriting or not his handwriting.

14 Q. Is it fair to say that either Mr.
15 Stull or Mr. Harris would be necessary in order
16 to authenticate this document?

17 MR. STRIP: We'll stipulate if you
18 want. We'll stipulate it if you want.

19 BY MR. GUARCH:

20 Q. Stipulate to it?

21 MR. STRIP: Yes.

22 BY MR. GUARCH:

23 Q. Stipulate that this is a
24 authentic, authentic document, a note from
25 Wallace Stull to Marc Harris, May the 28th of

1 1992?

2 MR. STRIP: Sure; why make you do
3 it the hard way.

4 BY MR. GUARCH:

5 Q. Do you know what Quantum is, Mr.
6 Gandolfi?

7 I am referring to Quantum as
8 referred to in this note? It says Quantum's
9 Bank balance including transfer?

10 A. I believe that is a corporation
11 that Mr. Stull, part of his structure.

12 Q. Are you familiar with Mr. Stull's
13 structure?

14 A. No.

15 Q. Who would be?

16 A. Beth Anne Gray.

17 Q. And Mr. Harris?

18 A. I don't know.

19 Q. It is kind of safe to assume that
20 Mr. Harris would be familiar with his structure
21 if the note was to Mr. Harris, correct?

22 A. All of the records now would be
23 with Beth Anne, so whether he would --

24 I am sure that back then if he was
25 involved with it he would have been familiar

1 with it. Whether he remembers it or not, I
2 don't know.

3 Q. Do you know whether any of the
4 employees or individuals associated with The
5 Harris Organisation have ever served as
6 directors of a company set up for the benefit of
7 Mr. Stull?

8 A. No, but we can find out.

9 Q. If Mr. Stull would have in any way
10 done business, been a client of The Harris
11 Organisation there would have been an entity
12 created for him, correct?

13 A. I would assume so.

14 Q. And that entity would have nominee
15 directors, offices, correct?

16 A. I would -- Yes, correct.

17 Q. Do you know whether there was a
18 company formed in Panama called Quantum
19 International?

20 A. Not for a fact. I can find out
21 for you and let you know. Remember earlier I
22 told you that we have two thousand companies.

23 Q. I understand. But in addition to
24 the sheer volume of companies this would be
25 information that would precede your involvement

1 with The Harris Organisation?

2 A. Yes, but the records are there.

3 It would be easy to provide.

4 Q. In 1992 other than Marc Harris who
5 else would have been dealing with Mr. Stull's
6 financial situation?

7 A. I don't know the answer to that.

8 Q. Taken as a given that this is a
9 note from Mr. Stull in California to Mr. Harris
10 in Panama regarding the transfer of funds, does
11 this change your previous testimony that The
12 Harris Organisation doesn't do business with
13 individuals in the United States?

14 A. Well, I don't --

15 Q. I am giving you an out here?

16 A. The letter --

17 Q. Don't know why, but I am giving
18 you an out here.

19 A. The letter says that he is
20 transferring the Quantum which is a business
21 transaction that I am not familiar with, but can
22 be readily checked.

23 Q. It also says, "My broker at
24 Shearson Lehman has been instructed to close my
25 accounts."

1 A. Uh-huh.

2 Q. Correct?

3 A. Uh-huh.

4 Q. Okay.

5 A. Correct. I forgot he can't see
6 head shakes.

7 Q. Let me show you what I had
8 previously attached to another document. We'll
9 mark it as --

10 MR. STRIP: Exhibit F.

11 THE WITNESS: F is good, yes.

12 BY MR. GUARCH:

13 Q. Yes, as Exhibit F. I'll identify
14 it as an apostillized document and the heading
15 is "La Direccion General Del Registro Publico
16 Con Vista a la Solicitud 04888, certificada,"
17 and I will roughly translate it to be basically
18 a publicly registered document.

19 (Thereupon, the above-mentioned
20 document was marked as Defendant's Composite
21 Exhibit F for identification this date.)

22 MR. STRIP: Uh-huh.

23 BY MR. GUARCH:

24 Q. Let me ask you if you guys can
25 identify it, authenticate it?

1 A. This is the registration of
2 Quantum International, Inc.

3 Q. Do you recognize any of those
4 officers or directors that are listed?

5 A. I do.

6 Q. Let me see, if I could have that.
7 Who is Ilka Barria?

8 A. An employee of La Firma de Marc M.
9 Harris.

10 Q. And she in this document appears
11 to be president and the director. This is --

12 A. I didn't review it that close.
13 She appeared to be president, I didn't --

14 Q. Up above I think it identifies
15 directors?

16 A. Oh, okay. Yes.

17 Q. So these are Harris Organisation
18 employees that serve as officers and directors
19 of one of the client's entities?

20 A. Correct.

21 Q. The rest of the names there
22 likewise, they are employees that serve in those
23 respective capacities?

24 A. I know three of them. I don't
25 know.

1 Q. Which three do you know?

2 A. I don't know these. Verna
3 Johnson, Minerva de Portillo and Ilka Barria. I
4 don't know this last one and I don't know these
5 two folks up here.

6 Q. And you would recognize this
7 document as being authentic?

8 A. Yes, I think so, yeah, sure.

9 Q. Legitimate?

10 A. Yes.

11 (Discussion off the record.)

12 BY MR. GUARCH:

13 Q. Do you know what positions these
14 individuals that you do recognize hold at The
15 Harris Organisation?

16 A. Today?

17 Q. Okay.

18 A. One of them is human resources
19 which is Ilka Barria. Read the other name?

20 Q. Verna Johnson?

21 A. Verna Johnson is on Marc's
22 personal staff, on his staff.

23 Q. Minerva de Portillo?

24 A. She is in the billing department.

25 Q. Verna Johnson we asked about her.

1 Riviela de Tejeira?

2 A. I don't know who that is.

3 Q. Ilka Barria appears, and I am
4 referring now to your interrogatories --

5 A. Uh-huh.

6 Q. She appears as the president of
7 the Marc M. Harris Trust Company Limited?

8 A. That is correct.

9 Q. Which is a named Plaintiff, a
10 named Plaintiff but she is a human resources
11 individual?

12 A. Yes, she is also the head of the
13 human resources department for La Firma de Marc
14 M. Harris.

15 Q. She is also the treasurer of Marc
16 M. Harris et Cie.?

17 A. Yes.

18 Q. I have a problem with that,
19 obviously from the way that I pronounce it.

20 A. I had for a year. I had for a
21 year.

22 Q. Should be able to clarify that.
23 Cause Cie. is C-I-A, the way that the Spanish
24 speaking people refer to the C-I-A is Cia?

25 A. I would here people saying it

1 and --

2 MR. STRIP: I learned it.

3 BY MR. GUARCH:

4 Q. I mean, in the scope of
5 organization of these entities, I mean, what
6 does Ilka Barria do as president of the trust
7 company?

8 A. The trust company doesn't do --
9 Marc M. Harris Trust Company is merely where
10 client's money enters. It doesn't do any
11 business, so to speak, and then it waits for
12 investment instructions or holds the money in
13 trust until we get some instructions from
14 whatever the instructions are.

15 So it receives clients' money and
16 it holds it in trust who distributes it. It
17 doesn't do any business.

18 Q. Prior to March the 18th of 1997
19 Marc Harris was the president based upon this
20 document, correct? You may need to see it
21 because I am testing your memory here a little
22 bit?

23 A. Yes, I would have to look at it.

24 Q. Let me ask you to take a look at
25 the interrogatories which will be pleadings

1 eventually, so --

2 A. Marc M. Harris Trust --

3 Q. Well, they won't be.

4 MR. STRIP: No, in federal court
5 you don't file them.

6 THE WITNESS: No, preceding March
7 the 18th yes, Marc and then Nancy and
8 Yunitza (phonetic).

9 BY MR. GUARCH:

10 Q. Do you know why there would be a
11 change from Marc M. Harris to Ilka Barria and it
12 would seem to me to be going from the head of
13 the horse to the tail?

14 A. The only --

15 Q. No reference made to Miss Barria,
16 but --

17 MR. STRIP: Or one to you.

18 THE WITNESS: You are a chauvinist
19 and I defended you. As I look back and as I
20 am trying to test my memory, no. No, don't
21 have any idea.

22 BY MR. GUARCH:

23 Q. Who would have made the decisions
24 to make these changes?

25 A. Probably the present, at that time

1 board of directors.

2 Q. Who is on the board of directors?

3 A. Of what?

4 Q. Well, are there -- I take it that
5 there is different --

6 A. The officers and directors are the
7 same there.

8 Q. Correct.

9 A. Okay, so --

10 Q. We are talking about the trust
11 company?

12 A. Everywhere, all of those three are
13 all, the directors and the officers are one and
14 the same.

15 Q. You are the president of Marc M.
16 Harris Inc.?

17 A. Yes.

18 Q. Do you know who the other officers
19 and directors are?

20 A. Let me get my copy of that out so
21 we don't have to keep passing it back and forth.

22 Q. You don't know offhand without
23 looking at the documentation?

24 A. I don't want to make a mistake.
25 Vice president of Marc M. Harris Inc. is Alan

1 McAloon.

2 Q. We'll introduce the
3 interrogatories eventually. I was just
4 wondering if you knew who the current officers
5 were in light of your being the president?

6 A. Well, I know Ken Darling is vice
7 president of Marc M. Harris et Cie.

8 Q. Alan McAloon --

9 A. Yes, McAloon.

10 Q. -- You previously referred to as
11 the beneficiary of your trust?

12 A. He is -- No.

13 Q. Let me rephrase that. Beneficial
14 owner of, beneficial owner of Catorce?

15 A. Yes, and he is a senior trust
16 office, licensed senior trust office in London.

17 Q. Riviela de Tejeira who was in this
18 document, do you know what her --

19 A. No, I am not familiar with her
20 name.

21 Q. You are not familiar with her?

22 A. No, no. Jay, 146 people, I meet
23 new people everyday.

24 Q. Well, I mean --

25 A. And to be --

1 Q. We are talking about individuals
2 some of which are presidents of entities which
3 are, which have brought this lawsuit. Ilka
4 Barria?

5 A. I know her, okay. But the last
6 one I don't know.

7 Q. I understand. Within these
8 organizations the responsibilities of directors
9 and officers differ somewhat, if you know, from
10 what it would be in the United States, is that a
11 correct statement?

12 A. Yes.

13 Q. Correct statement?

14 A. Yes, correct statement.

15 Q. How so?

16 A. The structure, the corporate
17 structure in the U.S. is -- The powers that
18 people have in the U.S. as corporate officers
19 differ from the ones that they have in Panama.

20 Q. How so?

21 A. You can -- In Panama you can, the
22 president can be all powerful or can be just
23 merely a name and then you can assign the powers
24 to, assign the powers to the board of
25 directors. You can share the powers. You can

1 do a lot of things.

2 Q. How are those powers identified?

3 A. Not being sure of which, whether
4 it is in the Acta or the Pacto Social of the
5 corporation, I am not sure where, but you define
6 them in the -- original formation of the
7 corporation.

8 Q. Do you know what the Acta or the
9 Pacto Social would define as it relates to the
10 powers of the firm of Marc M. Harris Inc.?

11 A. No, I don't.

12 Q. Well, as president of that entity
13 wouldn't it seem reasonable that you would know
14 what powers you do or don't have?

15 A. As president of Marc M. Harris
16 Inc. I run the company and I oversee the
17 consulting contracts.

18 I oversee the things that it in
19 fact does. The same with et Cie.. I sign
20 checks, I authorize payments, but I have never,
21 I have never read the Pacto Social.

22 Q. So you don't know who has the
23 power of either one of those entities?

24 A. Well, if I sign checks and I
25 authorize all payments I must assume that at

1 least I have some of the power.

2 Q. But your testimony is that the
3 Acta or the Pacto defines the powers of --

4 A. Yeah, but I never read them.

5 Q. -- Of the officers or directors?

6 A. I never read them.

7 Q. So you have never read the
8 documents that define the powers of the
9 individuals for these corporations?

10 A. No. I don't know which one those,
11 the Acta or the Pacto Social has it.

12 Q. The chairman of the board of each
13 of these entities, and let me restate that.
14 Strike it, I guess.

15 The chairman of the board of Marc
16 M. Harris et Cie. is Marc M. Harris, correct?

17 A. Yes.

18 Q. And Marc M. Harris et Cie. is the
19 operating entity, if you will?

20 A. The holding company.

21 Q. Would it be a fair statement that
22 Marc M. Harris has within the Pacto Social the
23 powers that you referred to previously?

24 A. No I don't think so. I don't
25 think so.

1 Q. Who has?

2 A. I think it is a quorum. But once
3 again it's easily checked. So as not to tell
4 you stories, gladly check it and let you know
5 what it says.

6 Q. Well, Marc M. Harris owns one
7 hundred percent of the common shares of Marc M.
8 Harris et Cie.; is that correct?

9 A. Yes, that is correct.

10 Q. Are you suggesting in your
11 testimony that Marc M. Harris as one hundred
12 percent owner of shares of Marc M. Harris et
13 Cie. has delegated the authority and the power
14 to run this corporation to a board?

15 A. It could be, I am not delegating
16 or saying anything. I am not insinuating
17 anything.

18 Q. Can we agree, can we agree that
19 the Pacto Social would be something that we
20 could produce without formalities?

21 MR. STRIP: Just ask for it and
22 it's yours.

23 THE WITNESS: Yes.

24 BY MR. GUARCH:

25 Q. Okay, please.

1 A. He has the ultimate power, Jay,
2 because he owns one hundred percent of the
3 shares, but that doesn't mean that somebody
4 can't do something without his knowledge. There
5 is a big difference.

6 MR. STRIP: That is the problem.

7 THE WITNESS: The ultimate power
8 if you ask, I ask, I would like to move this
9 cup. One hundred percent of the
10 shareholders say no you won't, but the fact
11 is that I can probably move the cup without
12 asking the shareholders, I don't know. That
13 is what the Pacto Social will tell us.

14 MR. STRIP: Of et Cie. Okay, go
15 ahead.

16 BY MR. GUARCH:

17 Q. Do you have a personal
18 relationship with Mr. Somerville and Mr. Stull?

19 A. No, acquaintance that is all.

20 Q. Do you know if Mr. Harris has a
21 personal relationship with them?

22 A. I have heard that Mr. Harris and
23 Mr. Stull have been friends.

24 Q. Are they currently friends?

25 A. I don't know.

1 Q. How about Mr. Somerville?

2 A. I have no -- I know of no personal
3 relationship with Mr. Somerville at all.

4 Q. Are you aware of the fact that
5 they are both incarcerated?

6 A. Oh, yes.

7 Q. Do you know what the nature of
8 their incarceration is?

9 A. I believe it to be possession with
10 the intent to sell or distribute, I guess it
11 is. The intent to distribute.

12 Q. Let me show you -- What I would
13 like to do is mark these if we could as G.

14 MR. STRIP: Didn't we see that
15 before?

16 MR. GUARCH: I think so. I think
17 this may have been within -- I am pretty
18 sure it was within what we originally
19 produced.

20 Let's mark this as Exhibit G and
21 can we stipulate to the authenticity?

22 MR. STRIP: Sure, yes, I think
23 that one of them pleaded guilty of count
24 number five or something and the others were
25 dropped. We saw that.

1 BY MR. GUARCH:

2 Q. Okay, let's identify it as --

3 MR. STRIP: Which is which,
4 though?

5 MR. STRIP: Who is G?

6 MR. GUARCH: G is a judgment in a
7 criminal case.

8 MR. STRIP: Which individual?

9 MR. GUARCH: Wallace B. Stull.

10 MR. STRIP: Stull conviction.

11 MR. GUARCH: Yes in the United
12 States District Court for the Northern
13 District of California.

14 MR. STRIP: I think that was
15 possession of, cocaine distribution.

16 THE WITNESS: Intent to
17 distribute, was it not?

18 MR. STRIP: Just cocaine, you
19 know, that is all.

20 MR. GUARCH: Forfeiture of a
21 Mercedes Benz, some monies.

22 MR. STRIP: Yes.

23 (Discussion off the record.)

24 MR. GUARCH: Briefly, back on with
25 Mr. Stull, Mr. Stull, I think the document

1 is pretty clear.

2 MR. STRIP: We'll stipulate to it.

3 BY MR. GUARCH:

4 Q. But he pled guilty to possession
5 of cocaine with intent to distribute, conspiracy
6 to possess with intent to distribute, and in his
7 own writing he states that he sold cocaine to an
8 individual on May the 13th of 1997.

9 MR. STRIP: Agreed.

10 BY MR. GUARCH:

11 Q. We have marked that as Exhibit G.

12 A. G, right.

13 (Thereupon, the above-mentioned
14 document was marked as Defendant's Composite
15 Exhibit G for identification this date.)

16 BY MR. GUARCH:

17 Q. Exhibit H is a superseding plea
18 agreement relating to Mr. James Somerville.
19 This is in the United States District Court for
20 the Northern District of California, possession
21 with intent to distribute and did distribute
22 499.5 grams of cocaine.

23 MR. STRIP: A little over a pound.

24 THE WITNESS: Is that his
25 conviction, too?

1 MR. STRIP: We are not taking
2 issue with it.

3 BY MR. GUARCH:

4 Q. There is an order accepting the
5 plea.

6 A. That is fine.

7 (Thereupon, the above-mentioned
8 document was marked as Defendant's Composite
9 Exhibit H for identification this date.)

10 BY MR. GUARCH:

11 Q. Do you know, Mr. Gandolfi, how
12 these two individuals came to be associated with
13 The Harris Organisation?

14 A. Mr. Stull was introduced to Marc
15 Harris by Robin Baily and Mr. Stull introduced
16 Mr. Somerville.

17 Q. Robin Baily again is?

18 A. At the time that, taking The
19 Harris Organisation back to when, sometime in
20 '91 or '92, before my time, Robin Baily ran a
21 company called Trust Services.

22 Still, returned to running it now,
23 and he had a shrimp farm investment that he and
24 Wally Stull were involved in and introduced
25 Wally Stull to Marc.

1 Somerville is in my time and Wally
2 Stull to the best of my recollection it will be
3 end of '96, beginning of '97 brought Jim
4 Somerville down and introduced him as a real
5 estate developer which I believe his dad really
6 is and he opened a small account.

7 We have done due diligence on
8 both. Absolutely clean before the incident.

9 Q. But they are still clients?

10 A. Are they still clients?

11 Q. You testified that they were?

12 A. Yes, in the sense that -- Yes,
13 they are still clients.

14 Q. Do you have knowledge of the
15 formation of an entity known as V & V Wholesale
16 Distributors or any entity --

17 A. No.

18 Q. With V & V?

19 A. No.

20 Q. Are you aware of Joseph and
21 Anthony Vigna's criminal indictment in Florida?

22 A. Yes, I am.

23 Q. What do you know about that?

24 A. Nothing, not much. I just know
25 that they were indicted here probably sometime

1 in the last month to month and a half.

2 Q. Do you know what they were
3 indicted for?

4 A. I believe it is -- The indictment,
5 I believe, and I don't have a copy of the
6 indictment so I really shouldn't say, but
7 hearsay says it is tax evasion --

8 Q. Best of your knowledge?

9 A. Tax evasion and the sale of a
10 controlled substance. Not meaning drugs, but a
11 -- I don't even know how to say it. Every time
12 that I say controlled substance I think drugs,
13 but another type of controlled substance.

14 Q. The documents that we'll mark as
15 Composite Exhibit I, and I suspect won't have a
16 problem authenticating because they are again
17 court documents --

18 MR. STRIP: The Vigna indictment?

19 MR. GUARCH: Yes, they are the
20 indictments of both of the Vignas.

21 MR. STRIP: I haven't seen it, but
22 I am sure that I will stipulate with you,
23 Jay.

24 MR. GUARCH: It is kind of a
25 summary page on them that lists --

1 MR. STRIP: Looks like a stamp
2 there.

3 MR. GUARCH: Clean air act, money
4 --

5 MR. STRIP: Clean air act?

6 MR. GUARCH: Yes, and money
7 laundering. They apparently -- it is a
8 rather interesting, I was just reading it
9 and rolling my eyes. One of the charges is
10 the importation of ozone depleting chemicals
11 into the United States.

12 MR. STRIP: That was Right Guard
13 before 1995.

14 (Thereupon, the above-mentioned
15 document was marked as Defendant's Composite
16 Exhibit I for identification this date.)

17 BY MR. GUARCH:

18 Q. I don't want to ask any questions
19 about that, but I would like to ask you, Mr.
20 Gandolfi -- Let me show you this to see if we
21 can get a stipulation on it. How do you define
22 money laundering?

23 A. Money laundering is taking the
24 proceeds from an illegal act and putting it in a
25 legitimate investment or investments.

1 Q. If I was to hypothetically define
2 money laundering as the act of concealing the
3 source of funds or concealing the ultimate
4 beneficiary of funds, would that change your
5 opinion about the allegations set forth in the
6 pleadings of which we refer here today?

7 In other words, the lawsuit filed
8 against Mr. Martian and his entity?

9 A. Would you say that one more time.

10 MR. STRIP: Yes, would you read it
11 back.

12 MR. GUARCH: Why don't you read it
13 back, Julio

14 (Thereupon, the question referred to was
15 read by the reporter as above recorded.)

16 THE WITNESS: I still do not
17 understand it.

18 BY MR. GUARCH:

19 Q. Okay, let me restate it. Your
20 testimony is that you have to have a legal
21 source of funds in order to have money
22 laundering?

23 A. An illegal source of funds, yes.

24 (Discussion off the record.)

25 BY MR. GUARCH:

1 Q. Back on the record. I would like
2 to create a hypothetical which is not dealing
3 with illegal source of funds, but dealing with
4 concealing the source of funds, be it from a
5 legal source or otherwise, but simply concealing
6 them.

7 If you accept hypothetically that
8 the definition of money laundering is concealing
9 the source of funds, would that change your
10 opinion about the allegations set forth
11 regarding Marc Harris' libel?

12 A. No. And you would have to define
13 concealing the source of funds. And I answered
14 no because I don't understand.

15 I don't understand what that
16 means, Jay, and I am being straight up and
17 down. And he served to confuse me even worse.

18 MR. STRIP: I am sorry, that is
19 why I shut up after a minute.

20 BY MR. GUARCH:

21 Q. Well, --

22 A. I mean, --

23 Q. Well, it doesn't matter. Your
24 answer is I think clear. Your definition of
25 money laundering has a prerequisite that the

1 funds be garnered from illegal activity?

2 A. Yes.

3 Q. And that is all that I really need
4 to understand your definition of money

5 laundering and the simple reason for that is --

6 A. Okay, fine, but I want you to
7 understand --

8 Q. I am not asking for a legal
9 conclusion.

10 A. No, but I want you to understand
11 we were doing real well here now and I am not, I
12 am not trying to be clever with you, I just
13 don't understand.

14 Q. And, no, I don't take it as that.

15 A. I just don't understand what
16 concealing means, okay.

17 Q. Do you have any knowledge of any
18 current or former clients that have used The
19 Harris Organisation for purposes of money
20 laundering?

21 A. No, I don't.

22 Q. Wouldn't funds that would have
23 been provided to The Harris Organisation on
24 behalf of Messrs. Somerville, Stull or at least
25 allegedly the Vigna brothers be proceeds from

1 money laundering?

2 A. After our due diligence and
3 everything up until that time they never had an
4 offense before that.

5 I guarantee you we didn't get any
6 of the money from that offense. They're one
7 time offenders. All of the due diligence,
8 police reports, background checks, they are all
9 -- not even a traffic ticket. So I have to say
10 no, okay.

11 MR. STRIP: You don't know about
12 traffic tickets.

13 THE WITNESS: But in the Vigna's
14 case the deal didn't go down. I mean, so
15 once again Tony Vigna's background, his
16 check was absolutely clean. He was in the
17 water purification business in Miami.

18 He, he has known Marc Harris since
19 the days of Miami.

20 BY MR. GUARCH:

21 Q. But your testimony is that to your
22 knowledge The Harris Organisation has not
23 knowingly done business with someone who is
24 laundering money, correct?

25 A. Yes, exactly.

1 Q. Clearly they could have been doing
2 something, been doing business with --

3 A. Oh, I believe every bank in the
4 country launders money, but they don't know it
5 at the time that they do it.

6 I mean, there are just certain
7 guidelines that you stick to and you do your due
8 diligence, but -- It would depend on the
9 amount.

10 Jay, if we had a poker game
11 tonight, it would be illegal gambling and I won
12 one thousand dollars and deposited in the Sun
13 State Bank tomorrow, they would be laundering
14 money. But they had no idea that I won it in
15 an illegal poker game. I mean, it has to do
16 with the amount that you are talking about.

17 Q. Right, but, and let me focus for a
18 moment on the fact that I am not a U.S. Attorney
19 trying to implicate The Harris Organisation.

20 A. No, no, no I know that.

21 Q. I am dealing with a libel
22 lawsuit.

23 A. No, we are extremely careful.

24 Q. And amounts are not what are
25 significant in my questions. It is a, the

1 actuality of whether it is five dollars or five
2 hundred thousand dollars doesn't --

3 A. Okay.

4 Q. -- Doesn't change the question or
5 the answer.

6 A. We are extremely careful about
7 money laundering and probably do better due
8 diligence than most organizations and you are
9 welcome to see the due diligence on --

10 Q. Why do these now known criminals
11 that have pled to committing felonies continue
12 to have accounts with The Harris Organisation or
13 be clients of The Harris Organisation?

14 MR. STRIP: You are talking about
15 Stull and Somerville.

16 BY MR. GUARCH:

17 Q. Yes, these gentlemen I believe are
18 only alleged to have committed these?

19 A. They are dormant. I mean, they
20 are just there. Nothing comes in or out of
21 them. They are dormant.

22 Q. Well, is there a mechanism in
23 place formally that would prohibit something
24 from coming in or out?

25 A. Well, we would not -- We would not

1 accept any more money from them, okay. I don't
2 know what the ramifications of the quote unquote
3 law or the commercial code of Panama would be
4 for letting them have their money back if and
5 when they could demand it.

6 Q. What formally --

7 A. Well, I mean, you know, the DEA
8 hasn't come down and said give me the money.

9 Q. Well, that would be a worthless
10 effort; wouldn't it?

11 A. I don't know that. I don't know
12 that, okay, but the fact is that there would be
13 nothing else to do right now that would be
14 prudent except keep the money credited to them
15 or their structure.

16 Their structure didn't commit a
17 crime. If somebody came down and investigated
18 that and wanted that, then it would have to be
19 left up to the courts of Panama.

20 Q. The auditors within the financial
21 statement provided to us, do you know how many
22 people are employed by that audit?

23 A. I know -- I don't know exactly how
24 many people are employed. He is large in
25 Panama. He is the, what would amount to be the

1 president of the CPA association here in the
2 United States. An extremely credible man.

3 Q. Do you know if it has offices in
4 any other countries?

5 A. I do not know.

6 Q. Do you know if any of the big
7 five, I think they are the big five now --

8 MR. STRIP: I think so.

9 BY MR. GUARCH:

10 Q. Do you know if any of the big five
11 accounting firms do business with him?

12 A. I don't know. No, I don't know.

13 Q. Do you know what the parameters
14 were for choosing this entity to do the only
15 audit that has ever been done of The Harris
16 Organisation?

17 A. Well, it's the first year of Marc
18 M. Harris et Cie. To be perfectly one hundred
19 percent honest, he made it happen.

20 MR. STRIP: No, the question is
21 why did you choose these people?

22 THE WITNESS: Oh, these people?
23 They are the most reputable in Panama and we
24 have used them in the past to do our
25 reviews.

1 BY MR. GUARCH:

2 Q. Don't the big five accounting
3 firms also have offices in Panama?

4 A. I don't know.

5 Q. You don't know whether the big
6 five accounting firms have offices in Panama?

7 A. No.

8 Q. During the course of -- Who made
9 the decision to use them?

10 A. As I said, they have done our
11 reviews in the past. They are familiar with our
12 business and so I asked them if they wanted to
13 take the job on and they said, yeah.

14 Q. This job consists of the auditing
15 of financial records from several different
16 countries, does it not?

17 A. Uh-huh.

18 MR. STRIP: Is that a yes.

19 THE WITNESS: Yes.

20 BY MR. GUARCH:

21 Q. So you consider this entity to
22 have the necessary experience with international
23 financial audits?

24 A. We have CPAs in Argentina and
25 Chile that send the work in.

1 Q. So your CPAs in those respective
2 countries provided the underlying financial
3 information?

4 A. They did the normal thing that an
5 auditor does which is check what they have to
6 check to certify the audit.

7 Q. And do you have, do you believe
8 that the audited financial statements that were
9 provided to us are an accurate portrayal?

10 A. I do.

11 Q. What have you done personally to
12 reach that conclusion?

13 A. Sat with the auditors and had them
14 explain to me what everything was on the
15 statement.

16 They themselves have the fiduciary
17 responsibility as auditors to do whatever it is
18 that normal accounting practices to complete an
19 audit are. So --

20 Q. Under what accounting practice
21 guidelines, do you know?

22 A. I don't know, but I am sure
23 whatever is acceptable in Panama.

24 Q. In Panama?

25 A. Yes, in Panama and the person who

1 could help with you the rest of that is the head
2 of our internal accounting department, Javier
3 Manning (phonetic).

4 He worked with them on a daily
5 basis.

6 Q. Let me skip over this and we'll
7 come back to it. Do you have a definition in
8 your mind of what a Ponzi scheme is?

9 A. A Ponzi scheme is when, and this
10 is probably not a Webster definition, but a
11 Ponzi scheme to me is when promises are made
12 either in the payment of rewards or interest or
13 returns to people and you take their money and
14 there is no substance there, and so therefore
15 you have to continue to take new money in to
16 satisfy your obligations to the money that you
17 are, that you had taken in previously.

18 And if the money stops coming in,
19 it always goes away. I mean, or at one date and
20 time in a Ponzi scheme you just gather up all of
21 the money and leave.

22 Q. So the money comes into a general
23 pool and that money in the general pool is used
24 to satisfy obligations?

25 A. No, no, sir. We do not commingle

1 funds.

2 Q. What is, what safeguards do you
3 have?

4 A. Different subsidiaries. Client's
5 money comes in one subsidiary and our money is
6 in another subsidiary.

7 Q. But they are your subsidiaries?

8 A. But they are different
9 institutions.

10 Q. These internal mutual funds, are
11 they all -- I mean, what do you, what is
12 invested in outside of Marc Harris owned
13 entities?

14 A. All U.S. traded securities, stock
15 markets, New York Stock Exchange, Nasdaq, our
16 own internal funds, venture capital deals,
17 bonds.

18 Q. Have there ever been delays to
19 clients that have requested their funds?

20 A. Never for anybody that wasn't,
21 that was in a liquid asset. Only those people
22 that were in non-liquid assets which they knew
23 up front, which you really have no obligation to
24 get them out of at all, but we have always
25 gotten our clients out and we get them out on a

1 best efforts basis.

2 Q. What would be your definition of a
3 non-liquid asset?

4 A. Havana Holdings.

5 Q. What is Havana Holdings?

6 A. It is a venture capital deal that
7 deals in some Cuban debt, deals in companies
8 that deal in the securities or the stocks of
9 companies that now deal in Cuba.

10 Another one would be Latin
11 American Real Estate.

12 Q. The Havana Holdings, is there some
13 sort of litigation ongoing with Havana
14 Holdings?

15 A. No, no.

16 Q. What would be a liquid asset that
17 would be readily available?

18 A. Money market funds, anyone of --
19 When I say liquid, within five days of
20 settlement, any security, anything in a
21 brokerage account. Typically, typically liquid
22 situations.

23 Bonds, I mean, there are certain
24 bonds that have a term on them. Latin American
25 Real Estate is non-liquid.

1 Q. Within the category of non-liquid
2 assets which have experienced some delays do you
3 have some specific instances of that?

4 A. No.

5 Q. Have there been demands made upon
6 The Harris Organisation and when I say demands I
7 don't mean giving you money, delaying in giving
8 it to me, but demands with complaints about
9 delays, any counsel that has communicated with
10 The Harris Organisation?

11 A. No.

12 Q. Are you familiar with David Dugas?

13 A. Very much.

14 Q. Do you know him?

15 A. I do.

16 Q. Does The Harris Organisation have
17 a relationship with him?

18 A. It does.

19 Q. What is it?

20 A. He owes us a lot of money.

21 Q. How did he come to owe you money?

22 A. Brought us a venture capital deal
23 called the Winning Touch. We funded it.
24 Payments were supposed to be made; never
25 happened.

1 Q. Has he currently made a demand
2 upon The Harris Organisation for monies?

3 A. Never.

4 Q. What is the nature of the
5 relationship now? Has demand been made upon him
6 for monies?

7 A. No, actually David has -- We don't
8 have any hard feelings with David; okay. I have
9 not heard about him for a while. I think David
10 may have got himself in some other kind of
11 tight-- that is just my personal feelings, and
12 so we have not heard from him.

13 Q. Do you know what the amount of the
14 investment in that venture capital project was?

15 A. I won't give you a number, but I
16 will get you a number. I don't have it.

17 Q. Approximately?

18 MR. STRIP: Investment. Let me
19 write this down correctly; investment by
20 from whom to whom? I am not clear.

21 BY MR. GUARCH:

22 Q. I believe the testimony is that
23 The Harris Organisation has funded a venture
24 capital.

25 A. Raised money, right.

1 MR. MARCHANT: He said Dugas owes
2 us a lot of money.

3 MR. STRIP: That wasn't his
4 question. His question was how much was the
5 investment and how much --

6 THE WITNESS: No, how much did we
7 raise in venture capital.

8 MR. STRIP: Is that your
9 question?

10 BY MR. GUARCH:

11 Q. Well, both. The next question is
12 going to be how much does Dugas owe you?

13 MR. STRIP: Give me the two
14 questions and I will write them down
15 correctly.

16 BY MR. GUARCH:

17 Q. Originally do you know how much
18 was invested in this project?

19 MR. STRIP: By?

20 BY MR. GUARCH:

21 Q. By The Harris Organisation --

22 MR. STRIP: Thank you.

23 BY MR. GUARCH:

24 Q. -- For a venture capital?

25 MR. STRIP: Thank you. How much

1 did Harris invest is your question.

2 MR. GUARCH: Yes, approximately.

3 MR. STRIP: Invest in Dugas;
4 okay.

5 THE WITNESS: No, in Dugas'
6 project. We didn't invest in Dugas. He
7 brought a project to the table.

8 MR. STRIP: I got it now.

9 BY MR. GUARCH:

10 Q. Do you have an approximate?

11 A. I don't have one. I got a number
12 in my head, but, you know, this is now -- We are
13 talking two years ago.

14 Q. I understand. Just give me the
15 number that you have got in your head. I am not
16 going to --

17 A. No, no, I want to give you the
18 right number.

19 Q. Was it more than one thousand
20 dollars?

21 A. Oh, yes, sir.

22 Q. More than one hundred thousand
23 dollars?

24 A. Yes, sir.

25 Q. More than one million dollars?

1 A. I don't think so.

2 Q. Is it more than -- I mean, come
3 on, give me a number. We can do this to --

4 A. Somewhere between a half a million
5 and a million.

6 Q. Okay.

7 A. I am going to give you the right
8 number.

9 Q. I understand that. Somewhere
10 between half a million and a million dollars.

11 MR. STRIP: You had a second
12 question.

13 BY MR. GUARCH:

14 Q. The second question was what
15 amount do you consider is owed to you by Dugas
16 based on you're saying that he owes you a lot of
17 money?

18 MR. STRIP: How much do we believe
19 that we are owed by Dugas, okay.

20 BY MR. GUARCH:

21 Q. Do you believe that the amount of
22 your investment is now owed to The Harris
23 Organisation?

24 A. I don't understand.

25 Q. Do you believe that the total

1 amount of the monies that was invested by The
2 Harris Organisation is now owed?

3 A. I don't -- To the best of my
4 knowledge there were not any payments made, so I
5 would have to say yes to that.

6 Q. So it is owed now, currently owed?

7 A. Yes.

8 Q. Do you know what the structure of
9 this deal would be such that now he owes this
10 money to The Harris Organisation?

11 A. What the structure of the deal
12 would be?

13 Q. What is the basis for your
14 statement that he owes the money?

15 MR. STRIP: As in was it a loan or
16 was it an investment?

17 THE WITNESS: No, we funded his
18 venture capital and the parameters were
19 fair. There were due dates for payment plus
20 interest.

21 BY MR. GUARCH:

22 Q. Okay.

23 A. And none of that ever occurred.

24 Q. And all of the due dates have
25 passed or was there a default?

1 A. All of the due dates have passed.

2 Q. All of the due dates have passed,
3 so it has reached maturity?

4 A. Yes.

5 Q. And no payments have been made,
6 correct?

7 A. Yes, to the best of my knowledge
8 no payments have been made, but --

9 Q. But yet there is no problem with
10 Mr. Dugas. What is being done to try to recover
11 this money?

12 A. We hold an offsetting balance on
13 Mr. Dugas.

14 Q. Okay, which means that Mr. Dugas
15 is also an investor?

16 A. Uh-huh.

17 Q. And that you are holding his
18 funds?

19 A. The non-liquid ones.

20 Q. Liquid or non-liquid, but you are
21 holding his investment?

22 A. We are covered; okay?

23 Q. You are covered?

24 A. Yes.

25 Q. And has Mr. Dugas claimed that the

1 funds that you are holding as an offset are
2 being held inappropriately by you?

3 A. Never, never.

4 Q. Has Mr. Dugas acquiesced to this
5 offset?

6 A. We haven't heard from him, as I
7 said, in a long time.

8 Q. Well, if you --

9 A. We can't reach him. We have tried
10 to reach him.

11 Q. If you have an offset then he
12 doesn't owe you, right?

13 A. Well, yes. I mean, you would have
14 to go through -- Now you would have to go
15 through a court situation to apply this to
16 this. It is two different animals.

17 Q. But -- You don't know where Mr.
18 Dugas is? What has happened?

19 A. I don't know, we can't reach him.

20 Q. Have you tried?

21 A. Yes.

22 Q. How?

23 A. Telephone, fax. No response.

24 Q. If Mr. Dugas wrote you tomorrow
25 and asked you to take his non-liquid funds that

1 you hold as an offset and return them to him,
2 would you refuse to do so?

3 A. Yes.

4 Q. Have you notified him of that?

5 A. We can't notify him.

6 Q. Have you attempted to notify him
7 of that?

8 A. No. Let me get you the numbers,
9 Jay.

10 Q. I don't care about the numbers. I
11 am dealing in concepts now.

12 You told me somewhere between half
13 a million and a million and I would accept
14 that.

15 A. We would ask him to let us apply
16 the payment to what he owes us.

17 Q. Have you done that?

18 A. And send him the balance, if there
19 was a balance.

20 Q. Have you done that?

21 A. We have tried to contact him with
22 no success. We have written him letters and
23 phoned him and faxed him.

24 Q. Would you have copies of letters
25 written to him with regard to this offset?

1 A. I am sure -- With regard to the
2 offset? How about with regard to attempted
3 collection?

4 His investment has nothing to with
5 what he owes us, okay. I am just telling you --

6 Q. Wait a minute, you testified a
7 moment ago that you are covered because you are
8 holding --

9 A. We are covered.

10 Q. -- An offset?

11 A. There is enough on deposit to
12 cover his shortfall. It's not our business to
13 apply it.

14 It is our business to collect what
15 he owes us. If he wants to do it from there or
16 cash out of there, that is totally his business.

17 Q. So is your testimony that he could
18 cash out?

19 A. Non-liquid funds cash out on a
20 best effort basis.

21 Q. Okay, if he then contacted you
22 tomorrow and asked you to cash out his
23 non-liquid funds would you furnish those funds
24 to him?

25 A. I would ask him for collection of

1 what he owes us.

2 Q. So we could play with words from
3 know till the cows come home. The fact of the
4 matter is that you are going to hold his funds
5 against what you claim he owes you?

6 A. I am going to sequester his funds
7 if he doesn't pay us the amount that he owes us,
8 okay.

9 Q. And your testimony is that you are
10 not familiar with any dispute over any of the
11 issues regarding Mr. Dugas' funds?

12 A. No, no. I will guarantee you that
13 there is no dispute from Mr. Dugas.

14 Q. Why are you so sure?

15 A. Because I know Dave Dugas very
16 well.

17 Q. But you can't find him?

18 A. No.

19 Q. If Mr. Dugas communicated with
20 someone at The Harris Organisation it would be
21 you?

22 A. In the past he would communicate
23 with me and with Alan McAloon.

24 Q. How did Mr. Dugas come to be
25 associated with The Harris Organisation?

1 A. I don't know.

2 Q. Not through you?

3 A. No, no.

4 Q. And you don't have any knowledge
5 of --

6 A. No, I met David at The Harris
7 Organisation. We had a good rapport and I liked
8 him a lot and we got along very well, so --

9 Q. Where do you believe that he is?

10 A. Personally?

11 Q. Okay, I will accept a personal
12 answer. I won't hold you to the corporate
13 representative.

14 A. Personally I think that he is
15 hiding. I think that he is, he owes a lot of
16 people money. And I think that he is hiding.
17 I think he is just trying not to be -- But that
18 is just a personal opinion.

19 Q. If you knew of a manner in which
20 to communicate with Mr. Dugas would you attempt
21 to do so?

22 A. Certainly.

23 Q. Did you follow up on the
24 information provided to you by Mr. Marchant back
25 in December for Mr. Dugas?

1 A. What information? What
2 information?

3 Mr. Marchant in his deposition
4 said that he hadn't talked to Dave Dugas, so
5 what information?

6 MR. STRIP: Wait for a question.
7 BY MR. GUARCH:

8 Q. Have you attempted to contact Mr.
9 Dugas at 301 East Caliste (phonetic) in
10 Lafayette, Louisiana?

11 A. That is his normal address, to the
12 best of my recollection. I am going to take
13 that back. I mean, that is where he lives. I
14 have every one of his phone numbers from his
15 cell phone to his secretary to his office.

16 Q. Okay, can you testify here today
17 that you have attempted to contact him at the
18 address provided on the witness --

19 A. No, I cannot testify to that
20 address. You would be testing my memory. We
21 have attempted to contact him at every address
22 that we have.

23 Q. But you don't know whether you
24 have attempted at this particular address?

25 A. No, no, I don't.

1 Q. Would you have a log or a record
2 of where you, you know, where you attempted to
3 contact him?

4 A. I would think that we have.

5 Q. Do you know of any reason why you
6 would -- Now I am not asking you personally, I
7 am asking The Harris Organisation.

8 Do you know of any reason why The
9 Harris Organisation would knowingly not attempt
10 to contact him?

11 A. No, no, none.

12 Q. Do you know Carl Dilley?

13 A. Yes, I do.

14 Q. What do you know of Carl Dilley?

15 A. Carl Dilley is a good acquaintance
16 of mine. Carl Dilley worked at Bosque when I
17 worked for Jardines Alpha. Carl Dilley and I
18 are friends. I brought Carl Dilley to the firm
19 of Marc M. Harris.

20 Q. As an investor?

21 A. No.

22 Q. How so?

23 A. To get him a job.

24 Q. So he was an employee of The
25 Harris Organisation, is that correct?

1 A. Uh-huh.

2 Q. What periods, do you know?

3 A. Not exactly.

4 Q. Approximately?

5 A. Same time Mr. Don Mitchell was, so
6 if we look here and find out when Mitchell was
7 an employee we'll probably figure that out.
8 Probably better part of 1997.

9 Q. How did he come to leave the
10 employment of The Harris Organisation or did he?

11 A. Uh?

12 Q. I take it that he is not currently
13 employed?

14 A. No, he is not currently employed.
15 Discrepancy over internal funding of a
16 particular project called Baskin in the Sun.

17 Q. What was Baskin in the Sun?

18 A. I just wanted to say something
19 funny, but it wouldn't look good on the record.

20 Q. Sometimes they don't transfer on
21 the record as humorous as they are while we are
22 sitting here.

23 A. Anyway, Baskin in the Sun was a
24 pet project of our then president, Donald
25 Mitchell. It was his daughter's business in the

1 BVI and he brought it to the firm to take it
2 public and began to recruit Carl who I believe
3 came in under really good, with a good attitude
4 and a lot of talent and began to recruit Carl
5 into diverting funds from internally into Baskin
6 without charging them to Baskin and suddenly
7 there was a whole lot of funds that a lot of
8 charges that were not charged and then there
9 were purchases of new dive boats that in fact
10 Baskin owes us and we still haven't collected
11 for.

12 There got to be some ill feelings
13 over the Baskin in the Sun project. That is
14 really how the parting of the ways came.

15 Q. I take it that this parting of the
16 ways was contemporaneous with both Mr. Dilley
17 and Mr. Mitchell?

18 A. Was what?

19 Q. Happened at the same time?

20 A. I am not sure of that. It was
21 close.

22 Q. I mean, you said that I would know
23 how long Dilley worked there by knowing how long
24 Mitchell worked there?

25 A. Well, he came just at the same

1 time that Mitchell came. Okay.

2 Q. Back to the question that I asked
3 which is how did Mr. Dilley come to be, how did
4 Mr. Dilley disassociate with the firm; was he
5 fired?

6 A. I don't remember if he left of his
7 own accord or fired. I believe that he -- I
8 don't know. I would have to check that to tell
9 you the truth.

10 Q. And your testimony is that Mr.
11 Dilley was diverting funds?

12 A. No, no, no, internal charges
13 weren't being applied. There was a lot of the
14 time being spent on the project and --

15 Q. What is an internal charge, define
16 that?

17 A. Okay, if you to go advertising and
18 you say -- Simple case, design me a business
19 card, a letterhead and things for Baskin in the
20 Sun.

21 Well, that has to be charged
22 against the project Baskin in the Sun, but there
23 was just tons of work done which there were no
24 charges made whatsoever.

25 Q. Where was it being charged?

1 A. Nowhere, just being --

2 Q. So the internal accounting
3 procedures were such that you could just charge
4 it into Noobyboos?

5 A. I am sure that the department
6 charges -- Into Noobyboos? How do you write
7 that?

8 No, there was really ill feelings
9 in the accusations and, you know, I don't say
10 too much bad about people and Carl is still my
11 friend. I mean, I don't have any problem with
12 it, but he was in fact hiding the charges and
13 misappropriating them and in that the charges
14 were never levied.

15 Once again, the boat was bought
16 and paid for. None of the notes have ever been
17 paid or the interest. They were both gone and
18 in fact I could say that we are in --

19 MR. STRIP: Absolutely.

20 THE WITNESS: We are in litigation
21 with him right now.

22 MR. STRIP: Absolutely.

23 BY MR. GUARCH:

24 Q. Does Mr. Dilley claim that monies
25 are owed to him?

1 A. I believe that he does.

2 Q. Do you know what the basis for him
3 being owed money would be or is?

4 A. He, even though he claimed that he
5 never worked for the firm, he was never an
6 employee, he wanted the Panamanian severance?

7 A. Well, the "aguinaldo" and, you
8 know, you get so many months for the year and
9 vacation pay and whatever. And it came out to
10 about 28 thousand dollars and so --

11 Q. But you say that he was an
12 employee?

13 A. I say that he worked for the firm.

14 Q. Well, --

15 A. If you bring that to light, which
16 you just have, consultant -- We deal with a lot
17 of consultants.

18 I mean, I, for example, am not an
19 employee of the firm.

20 Q. We have gone through your
21 Catorce.

22 A. Yes.

23 Q. As a consultant to the firm he was
24 involved in these expenditures which were not
25 being properly booked?

1 A. Doing internal charges, yes,
2 uh-huh.

3 Q. How do you define a consultant
4 versus an employee?

5 A. It depends whether he has a
6 contract through his corporation or whether he
7 is on the payroll.

8 Q. Payroll is employee and contract
9 through a corporation is a consultant, is it
10 that simple?

11 A. That simple.

12 Q. Is that your understanding of the
13 Panamanian law?

14 A. No, it has nothing to do with
15 Panamanian law.

16 Q. So the dispute does have to do
17 with Panamanian law?

18 A. Because he wanted the employee
19 separation and yet he said that he was never an
20 employee, correct.

21 Because, you see, if he was an
22 employee, you see, and worked in Panama then he
23 would have had to pay Panamanian taxes on
24 everything that he earned.

25 Q. Right.

1 A. If he had consulted for an office
2 in the BVI and a BVI corporation, then Panama
3 doesn't have any tax.

4 Q. Have there been any offsets or any
5 holding of any monies based upon the incorrect
6 appropriation of monies that you have referred
7 to by Mr. Dilley?

8 A. From Mr. Dilley?

9 Q. Yes?

10 A. No, no.

11 Q. Anybody --

12 A. I am not aware of any.

13 Q. Any offsets for monies that maybe
14 he could be paid for monies that he
15 inappropriately spent?

16 A. No, I am not aware of any.

17 Q. The sum total of the dispute with
18 Mr. Dilley is his claim for the right to --

19 A. To the best of my recollection it
20 was 28 thousand dollars that he wanted.

21 Q. No claims by The Harris
22 Organisation against Mr. Dilley for monies that
23 he may have --

24 MR. STRIP: Say that again.

25 BY MR. GUARCH:

1 Q. No claims by The Harris
2 Organisation for monies that are claimed owed by
3 Mr. Dilley to the organization?

4 A. Not directly that I remember.

5 Q. Well, how about indirectly?

6 MR. STRIP: Jay, I filed the
7 lawsuit. I'll be happy to fill you in.

8 I honestly don't think that Larry
9 even knows what Dilley claimed because I
10 just met with Dilley not long ago and I
11 don't think that I have ever had a chance to
12 tell Larry what his claim is, but I will
13 tell you.

14 If you will accept my answer I
15 will give it to you now.

16 BY MR. GUARCH:

17 Q. Well, --

18 MR. STRIP: I don't want to
19 testify, you know.

20 BY MR. GUARCH:

21 Q. No, I don't want you to testify,
22 although it would be interesting if I could turn
23 you into a fact witness.

24 MR. STRIP: I don't want to do
25 that, but just so that you get the whole

1 story I will give it to you later off the
2 record.

3 MR. GUARCH: It is not a big
4 deal. There has been a lawsuit filed?

5 MR. STRIP: Yes.

6 MR. GUARCH: By you.

7 MR. STRIP: Yes, by the company.

8 MR. GUARCH: Against Carl Dilley.

9 MR. STRIP: Yes. Carl is aware of
10 it.

11 MR. GUARCH: What is it?

12 MR. STRIP: I don't want to
13 testify, first of all, but --

14 MR. GUARCH: Well, I understand
15 that, but --

16 MR. STRIP: Larry can tell you
17 what he knows of it.

18 (Discussion off the record.)

19 BY MR. GUARCH:

20 Q. Having been off the record and
21 having had Mr. Strip refresh Mr. Gandolfi's
22 memory, maybe we can go back now and start
23 over.

24 Mr. Gandolfi, I think my last
25 question was whether there were any claims by

1 The Harris Organisation for monies due to it
2 from Carl Dilley?

3 A. Okay, I am going to go back to say
4 that it is not Dilley personally.

5 MR. STRIP: I didn't say it was.

6 THE WITNESS: Oh, okay. It's not
7 Carl Dilley personally.

8 MR. STRIP: I didn't say that.

9 THE WITNESS: An organization that
10 Carl Dilley is a director and officer of.

11 BY MR. GUARCH:

12 Q. You know, that draws upon an
13 interesting issue. And when I ask questions
14 about individuals I would like for you to
15 consider your answer to be not only the
16 individual, but any entity or organization that
17 he may have custody of or control.

18 MR. STRIP: Fair enough.

19 BY MR. GUARCH:

20 Q. Because it is I think fair to say
21 a commonly understood --

22 MR. STRIP: Concept.

23 BY MR. GUARCH:

24 Q. -- Characterization and concept,
25 yes, at least in the jurisprudence of the U.S.

1 of America which is where this libel action is
2 pending.

3 Now, it may be inappropriate for
4 me to ask you whether that changes any of your
5 answers since it's now four-thirty and you sat
6 down here at ten?

7 A. Well, I would have said to you at
8 that time.

9 Q. But, please, for purposes of
10 considering and we'll go back and reflect upon
11 issues and see if it may make some different
12 answers, but I understand and I want you to take
13 it as a given that I understand that you have a
14 concept of entities versus individuals because
15 of, (a) your place of residence doing business
16 and so forth.

17 But I want you to consider custody
18 and control of an entity and organization to be
19 the same when I ask you of an individual.

20 A. Okay.

21 Q. Because otherwise --

22 A. In this case --

23 MR. STRIP: We get back to The
24 Harris Organisation.

25 BY MR. GUARCH:

1 Q. We don't want to do that.

2 A. In this case we had financed the
3 building of a new dive boat from Newton Boats in
4 Louisiana and we had put the boat in the name of
5 the company which we had control of because we
6 had bought the boat, funded the boat.

7 Mr. Dilley represented our company
8 during that transaction and then later as the
9 boat was being finished merely changed the name
10 on the boat to another corporation with almost
11 identical names. One may have been an Inc.
12 instead of a company or a company instead of an
13 Inc. and actually when they registered the boat,
14 registered it in the name of that new
15 corporation.

16 So as Mr. Strip refreshed my
17 memory and as I told you before, we do have a
18 lawsuit in place here in Miami against Mr.
19 Dilley and that entity right now.

20 Q. Can you get me copy of that
21 lawsuit?

22 MR. STRIP: Can I get you a copy?

23 MR. GUARCH: Yes, you filed it.

24 MR. STRIP: Yes, sure. Of course

25 I can. I do hope that we can get that

1 straightened out without litigation.

2 BY MR. GUARCH:

3 Q. What responsibilities did Mr.
4 Dilley have when he was, when he was, when he
5 had a relationship providing services as an
6 employee or consultant to The Harris
7 Organisation?

8 A. He was never an officer or a
9 director of any of the companies. He was really
10 in my eyes assistant to the president which was
11 Donald Mitchell.

12 He did at that time take reports
13 from marketing. But basically 95 percent of his
14 day was being assistant to the president, Don
15 Mitchell, whatever Don Mitchell deemed.

16 Q. Did they have a preexisting
17 relationship?

18 A. Very good relationship.

19 Q. When they both --

20 A. Preexisting, no, I am sorry.

21 Q. Yes.

22 A. No, no, I introduced Carl and I
23 met Don the same time that Carl did because that
24 is when I came in to do some consulting and
25 marketing and Don Mitchell was just brought on

1 board and I, and had asked if I knew a bright
2 individual who was, would fit in the
3 organization as his assistant and I said I have
4 one. Because Carl is my friend. He is still my
5 friend. He is A.C.'s friend. He is a bright
6 man and --

7 MR. STRIP: Nice guy.

8 THE WITNESS: Yes, and, you
9 know --

10 BY MR. GUARCH:

11 Q. Credible individual?

12 A. A lot of starts and stumbles in
13 his career and always with some wake behind it.
14 From the brokerage house in Canada to Tango Mar
15 in, a development over in Costa Rica to Bosque
16 Puerto Carillo and a bunch of bad numbers over
17 there.

18 Q. You knew all of this when he
19 became associated with The Harris Organisation,
20 correct?

21 A. Yes, but you got to understand, I
22 was taken in by Bosque also. I met him at
23 Bosque, I never knew him before.

24 And, I mean, Jay, I am a pretty
25 fair size investor there, okay, which if my

1 bathroom was just a little bigger I could
2 probably paper the walls and never have wasted
3 anything except for the fact that the trees are
4 standing, the property is owned, there are no
5 liens on the property and someday -- I don't
6 have any children, but if I had a, maybe a five
7 year old son he would get something out of this
8 somewhere down the road. Teak is valuable.

9 So I felt sorry for Carl. I found
10 him always to be very bright and very
11 personable. He is very personable and I like
12 him. So I said come on down, and which he
13 did. I still like Carl.

14 Q. You are still friends?

15 A. Still friends.

16 Q. He has no personal vendetta?

17 A. No, no. He -- not against me,
18 okay, and, I mean, so we are still friends.

19 Q. Does he have a personal vendetta
20 against the, someone else?

21 A. The organization, could be. I
22 don't know. I would think that he probably has
23 a personal vendetta against the organization.

24 Q. Because he claims that he is owed
25 money?

1 A. Claims that he is owed money, yes,
2 and I would tell him to his face if he was here
3 that I don't believe that is true, but that is
4 an argument; okay.

5 Q. That is an opinion.

6 A. That is his opinion. That is his
7 opinion, yes, right. But there is no vendetta
8 between him and I.

9 I think he has a vendetta against
10 the company because he feels like he was wronged
11 and how he really ended up leaving was that
12 there was an action placed against him in
13 Panama.

14 You see, another one of his wakes
15 that I know. He did a lease purchase on
16 this old house. These people had inherited this
17 old house from the wife's mom, I believe. These
18 folks didn't have a lot of money, but it was a
19 really nice old house. He went in there and
20 said that he would lease purchase the house if
21 they would do renovations. The house was free
22 and clear.

23 They went in and took the mortgage
24 on the house for about thirty or forty thousand
25 dollars and renovated the house to his wife's

1 specifications.

2 I am going to explain something on
3 the record or off. Jay, you nor I nor anybody
4 in this room could afford his I think now
5 ex-wife's magazine subscriptions, let alone
6 anything else. The girl could spend money
7 better than anybody I know. Her first husband
8 was a movie director that lived over on Brickell
9 Avenue in one of those ocean front jobs.

10 (Discussion off the record.)

11 BY MR. GUARCH:

12 Q. Anyway, go ahead.

13 A. Anyway, so these people borrowed
14 money against the house and did all of these
15 renovations which were not something that the
16 average person would like. I mean, they did --
17 bizarre is a bad word, but they did things which
18 were not normal decoration in a house.

19 Moved in there and then Carl's
20 wife wanted to move out and so they just -- She
21 moved to Miami, moved back to Miami and they
22 loaded all of the stuff out of the house and
23 Carl just walked away from it.

24 And so these people started an
25 action against him in Panama and so he went to

1 the States and I found out about this action and
2 I am the guy that called him and said, Carl, you
3 might not be coming here unless you intend to
4 pay this -- they wanted some twenty, thirty
5 thousand dollars. I said, if you are not going
6 to pay them you don't need to be coming back
7 here because you are going to end up in a bad
8 way. They were serious. They were serious.

9 Q. What do you mean?

10 A. Well, it's not like the U.S. in
11 Panama. You got a contract, you owe money, and
12 if you were to come to Panama you probably
13 wouldn't be leaving again.

14 So at any rate, I told him that is
15 what is going on and I think of his own choice
16 that he did not come back to Panama. I don't
17 know if he has been back since or not.

18 But in retrospect, there has
19 always been a problem when Carl left. Bosque
20 the same thing, okay. However, I think, I
21 think, still think that he is a good guy. I
22 like him. We have had a lot of good times
23 together. Just -- He just, no matter whatever
24 happens it's never Carl's fault. It's always
25 somebody doing Carl.

1 Q. But if Carl rendered an opinion to
2 someone and someone relied on that opinion as
3 being one of a former employee of The Harris
4 Organisation would you consider that to be
5 libelous?

6 A. Carl? No, I didn't say anything
7 about Carl being libelous.

8 Q. Or if someone relied upon Carl's
9 opinion, Carl's statements or Carl's information
10 as perhaps Mr. Marchant did?

11 A. Wait a minute now. There is a
12 certain thing called due diligence which we have
13 to do everyday and somebody else has to do
14 before you ruin somebody's life. And I will
15 stick by that.

16 You just can't go saying things
17 that destroy businesses and people.

18 Q. What businesses and people have
19 been destroyed?

20 A. Okay, our firm has been hurt badly
21 by Mr. Marchant. We are talking about providers
22 like Arnold Goldstein who no longer does
23 business with us. We are talking about banks
24 who closed our accounts.

25 We are talking about employees,

1 good employees who left out of embarrassment.
2 We are talking about customers who sat in front
3 of me who were my friends, my people that I knew
4 and said, Larry, I know none of this is true,
5 but I can't take a chance and checked out.

6 Q. What about those people's due
7 diligence?

8 A. What about it? They were
9 perfectly happy, but you don't understand, the
10 written word, be it fact or fiction, if it is
11 presented as fact -- quote unquote, a gentleman
12 said to me, "I know none of this is true, I am
13 70 years old and I can't take a chance."

14 Q. Who?

15 A. I can't tell you that.

16 Q. Okay, so that is not a damage that
17 you can recover for since you don't --

18 A. We had providers, Joe Bond, okay?

19 Q. Who is Joe Bond?

20 A. Joe Bond is an attorney in Texas
21 like --

22 Q. Let's -- Let me back up a minute.

23 A. Okay.

24 Q. We are going to get to the element
25 of damages, maybe we could be more structured in

1 the way that we go because we are kind of
2 getting piecemeal.

3 A. Yes.

4 Q. But I would ask you this. Is
5 there a way that you can apportion this damage
6 as it relates to Mr. Marchant's article and
7 Business Week's article?

8 A. This all happened before Business
9 Week.

10 Q. All of this that you are now going
11 to tell me about damages happened --

12 A. Business Week was a result of his
13 article.

14 Q. Well, that is --

15 A. So was La Prensa.

16 Q. So all of these damages happened
17 because of Mr. Marchant's little article without
18 regard to Business Week choosing to write an
19 article and La Prensa choosing to write an
20 article, is that your testimony?

21 A. Everybody -- Nobody chose to write
22 an article before Mr. Marchant.

23 Q. Well, that is true, but they
24 ostensibly did their due diligence and wrote the
25 article.

1 A. Banks didn't close our accounts
2 before Mr. Marchant.

3 Q. Did they close their --

4 A. Clients didn't leave before Mr.
5 Marchant.

6 Q. Do you have any example of a
7 document which indicates that a bank closed your
8 account because of Mr. Marchant's article?

9 A. We do.

10 Q. Could you identify that for me?

11 MR. STRIP: If you can testify to
12 it, go ahead.

13 THE WITNESS: Okay, I think it was
14 BP Bank in Liechtenstein said because of the
15 publicity.

16 BY MR. GUARCH:

17 Q. I am saying, is there a document
18 or something?

19 A. Yes, I have been provided it.

20 Yes, A.C. if you can write that down --

21 Q. We'll come back to that tomorrow,
22 if could you.

23 A. Yes.

24 Q. Let's not speak in abstract.

25 MR. STRIP: Let's do it this way.

1 Wait for his question.

2 BY MR. GUARCH:

3 Q. Okay, it is your testimony that
4 there were no banks that had closed accounts
5 prior to Mr. Marchant's article?

6 A. Just one.

7 Q. Which one?

8 A. Swiss Bank Corporation of Panama.

9 Q. And why did they close the
10 account?

11 A. Simply stated to me, directly to
12 me that they could not make any money on our
13 account.

14 We simply did not leave enough
15 balance in their bank and did too many
16 operations a day and therefore it was a
17 nonprofitable account to them and they didn't
18 deal with those kind of accounts. And it wasn't
19 closed instantly as other ones were, it was
20 closed over six months. It was wound down.

21 That is the only one that I know
22 of before Mr. Marchant's article.

23 Q. What effect does a bank closing
24 its account have to do with your bank? They are
25 still your banks, right?

1 A. We deal in forex, foreign
2 exchange. There are not that many foreign
3 exchange banks. You as a client are wiring a
4 thing in and the bank rejects it --

5 Q. Give me an example of a foreign
6 exchange bank that closed that left you without
7 an alternative foreign exchange bank?

8 A. BP Bank, Liechtenstein.

9 Q. There is no other foreign --

10 A. Oh, no, no, no, we have to find
11 one. You know, you don't open accounts for us
12 by going I'd like to open an account here, give
13 me a card and I will fill it out and give it to
14 you. It is a big job to open an account.

15 What happens is that they reject
16 any transfers coming in and they reject any,
17 they don't send any money out. They freeze the
18 account and say we are done with you; okay.

19 Now you've got an account frozen.
20 If there happens to be money in the way in it
21 bounces back to the customer.

22 Q. How do you apportion the damages?
23 How does that become a damage?

24 A. Well, how does that become a
25 damage? If you wire in a -- If you are a new

1 client and you are wiring a transfer into the
2 bank and it wires it back to you saying, sorry,
3 the account is closed, are you going to still
4 become a client?

5 Q. Are you telling me that the bank
6 has notified the client wiring the money in
7 before they notify you?

8 A. No, no, they notify us, but things
9 are in progress. We have wire transfer
10 instructions out there in many locales.

11 Q. Did you sever your banking
12 relationship with the Swiss Bank Corporation in
13 Monaco?

14 A. No, no, they severed it with us.

15 Q. Why?

16 A. Mr. Marchant's article, to the
17 best of my knowledge. I'd have to check that
18 one.

19 Q. Well, let me show you a letter
20 dated March the 10th of 1998.

21 A. Yes. What is --

22 Q. Is that a letter dealing with the
23 closing of your account?

24 A. Swiss Bank, yeah, uh-huh.

25 Q. The date on that letter?

1 A. 10th of March, '98, uh-huh.

2 Q. And that would have been as a
3 result of Mr. Marchant's article?

4 A. This is, this one here it says,
5 "We knowledge receipt of your fax," meaning
6 our fax, "dated March the 9th, where you inform
7 us of your intention to close the above
8 mentioned account in our books."

9 Q. You just testified that Swiss Bank
10 Corporation in Monaco closed your account
11 because of Mr. Marchant?

12 A. Yes, but I think there is another
13 letter somewhere or another sequence to this.

14 Q. Which would have happened before
15 that, I take it?

16 A. Let me read the rest of this,
17 please.

18 No, I am not familiar with this
19 letter. Jay, I am going to have to find out
20 what it is. I don't know if we had a letter
21 previous to this or how this letter came to be.

22 Q. You gave us that letter.

23 A. Do we have a copy of this?

24 MR. STRIP: I presume.

25 MR. GUARCH: Sure, it is attached

1 to A.C.'s cover letter.

2 MR. STRIP: Yes, we supplied it.

3 BY MR. GUARCH:

4 Q. Presumably there would have been a
5 letter that preceded this fax you sending them
6 which they refer to?

7 A. I don't know. You know, I am
8 completely lost by that, by that statement.

9 Q. The fact of the matter is that
10 this could not be the closing of a bank account
11 at all associated with Mr. Marchant, is it?

12 A. Not from that letter, no.

13 Q. And, in fact, this particular
14 correspondence and communication is prior to the
15 writing of Mr. Marchant's article, isn't it?

16 A. Yes, we must have faxed them, but
17 I have to find out what that is. I don't know
18 what that is. I am not familiar with it.

19 Q. So we have the Swiss Bank
20 Corporation which closed the account because you
21 simply were not providing them profit, this
22 is --

23 A. That is Panama.

24 Q. Yes, and we have the Swiss Bank
25 Corporation in Monoca which closed the account

1 for something other than Mr. Marchant's writing,
2 correct?

3 A. Appears to be.

4 Q. Well, they are closing it 21 days
5 before he publishes his article?

6 A. Well, --

7 Q. I mean, here is his article dated
8 March the 31st?

9 A. We requested him --

10 Q. I know we are going to figure all
11 of this out before you testify at trial, so I
12 wish I could use all of this in your cross, but
13 it's not going to happen and we might as well
14 deal with the issue now, Mr. Gandolfi.

15 MR. STRIP: Which one is this?

16 BY MR. GUARCH:

17 Q. Swiss Bank Corporation Monaco and
18 what I am trying to have you reconcile is
19 documents that are provided to me which evidence
20 closing of bank accounts as a result of Mr.
21 Marchant and yet the document is some twenty-one
22 days prior to the publishing of Mr. Marchant's
23 article?

24 MR. STRIP: We'll find out.

25 BY MR. GUARCH:

1 Q. The question is, how can you
2 provide this document as evidence of closure of
3 a bank account as a result of Mr. Marchant when
4 it is prior to his article, Mr. Gandolfi?

5 A. Maybe that one is not closed by
6 his article, but Liechtenstein was, ABN Amro was
7 and I don't have off the top of my head the
8 others.

9 Q. I understand, and back to the very
10 first issue that we dealt with this morning, the
11 need for the documents to be set forth as
12 requested in our request for production is
13 because if I try to go through these documents
14 to ask you these questions we are going to be
15 here in June. So that is why I am trying to get
16 them.

17 MR. STRIP: He reserved the right
18 to be wrong and fortunately his reservation
19 was correct.

20 THE WITNESS: We are going to put
21 all of these together tonight?

22 MR. GUARCH: No, these are for you
23 from Mr. Marchant, the big stack.

24 We'll go ahead and resume at ten
25 o'clock tomorrow.

1 THE WITNESS: Yes.

2 MR. GUARCH: We may want to
3 contemplate resuming earlier to the extent
4 that --

5 THE WITNESS: Why don't we just
6 call you at nine and if you want to make it
7 nine-thirty or nine-fifteen or eight-thirty,
8 whatever time you are here.

9 MR. GUARCH: I am here at 7:45.

10 (Thereupon, the deposition was
11 adjourned at 5:10 p.m. and resumed the following
12 day, March 17th at 10:15 a.m. as follows.)

13 MR. GUARCH: Okay, let's go on the
14 record.

15 THE WITNESS: Okay, as far as my
16 testimony about Mr. Dugas yesterday, it
17 stands.

18 MR. STRIP: Is that correct?

19 THE WITNESS: It is correct, yes.

20 MR. MARCHANT: What is the
21 figure?

22 MR. STRIP: Well, we don't have
23 the exact figure, but it was over five
24 hundred and less than a million and the
25 reason that we don't have the exact figure

1 is because interest is accruing, so it was
2 five hundred, around.

3 THE WITNESS: More than a half a
4 million, less than a million.

5 MR. STRIP: Can you narrow it down
6 to the closest one hundred thousand?

7 MR. MARCHANT: That is okay.

8 MR. GUARCH: It doesn't matter.

9 MR. STRIP: Interest is accruing
10 and there has been interest for a number of
11 years, so six, seven hundred thousand.

12 MR. GUARCH: So we have it on the
13 record, yesterday we dealt with issues of
14 production of documents.

15 We had received an initial wave of
16 documents via fax and a substantially larger
17 stack of documents yesterday via Federal
18 Express.

19 Messrs. Strip and Gandolfi had the
20 task last evening of, and willingly took on
21 the task of trying to go through those
22 documents and provide them in a way that had
23 an index in accordance with the Rules of
24 Civil Procedure.

25 Mr. Strip has told me this morning

1 that there are some problems with those
2 documents. They are not complete, wrong in
3 some way, shape or form and that they will
4 provide those documents to us --

5 MR. STRIP: Forthwith.

6 MR. GUARCH: -- Forthwith,
7 properly indexed. Since we are going to be
8 reconvening next week for a mediation and
9 two depositions, we will at that point have
10 an opportunity to continue our deposition of
11 Mr. Gandolfi as it relates to those
12 documents and any questions that may stem
13 from them.

14 I have told Mr. Strip that the
15 simple review that we had of the limited
16 documents that were sent by fax leads me to
17 the conclusion that we absolutely would have
18 some questions with regard to those
19 documents, so that we will continue Mr
20 Gandolfi's deposition next week at a
21 mutually agreeable, either the 23rd or the
22 24th or however we can schedule it for the
23 limited purpose of dealing with those
24 documents. Fair enough?

25 MR. STRIP: Yes. In fact, there

1 are substantial not just some documents, but
2 substantial documents missing and we haven't
3 identified whether it was as a result of
4 transmission from Panama to our office in
5 Columbus or Columbus to here.

6 I caught my partner this morning
7 in the dentist's chair and he is working on
8 it right now and I will give you a better
9 answer this afternoon. I accept the
10 responsibility. We did not supply them.

11 MR. GUARCH: And we understand
12 that, and those documents, the production of
13 those documents in large part relate to
14 documents that are support documents for the
15 financial statement --

16 MR. STRIP: Right.

17 MR. GUARCH: -- That have been
18 provided. So what I propose to do and I say
19 this subject to speaking to my client who
20 doesn't know any of this until right now
21 that Mr. Strip and I have spoken is really
22 kind of see if we can stay away from the
23 financial statements because the documents
24 are support documents and rather than do
25 something and doing it twice or do it in a

1 -- we'll see if maybe we can do it all in
2 an organized fashion.

3 MR. STRIP: Whatever you wish.

4 MR. GUARCH: Fair enough?

5 THE WITNESS: Fair. As far as I
6 am concerned do whatever you want and we'll
7 just start fresh with something new so we
8 are not half back in a half baked situation;
9 okay.

10 MR. STRIP: I'll give you a better
11 read this afternoon after I talk to Paul.

12 THE WITNESS: Can we go off the
13 record a minute?

14 (Discussion off the record.)

15 BY MR. GUARCH:

16 Q. Okay, sort of a brief follow-up on
17 the question that we had yesterday, Mr.
18 Gandolfi, and I think I asked this question and
19 I apologize for perhaps being repetitive.

20 And I believe that the question
21 was whether The Harris Organisation has ever
22 acknowledged that they owe Carl Dilley money?

23 A. I believe there was a settlement
24 offer made at one time in the form of a written
25 document.

1 In fact, Carl Dilley left before
2 Don Mitchell and Don Mitchell wrote the
3 settlement offer. I remember seeing it at one
4 time, but I don't know what happened to it after
5 that.

6 MR. STRIP: Let me help you. I
7 think the last offer we made, Larry, was
8 that we would give him an accounting of the
9 debits we charged against him, so I don't
10 know if that is a correct response, but I
11 guess until we get the accounting I don't
12 know.

13 THE WITNESS: I don't think it has
14 ever been in writing, though.

15 MR. STRIP: No, not in writing.
16 Did you say in writing?

17 THE WITNESS: I think you did.

18 BY MR. GUARCH:

19 Q. I didn't, but, I mean, I guess I
20 could.

21 MR. STRIP: There is no offer in
22 writing.

23 THE WITNESS: When we had the
24 meeting we were going to give an accounting,
25 but there is no offering, no offering

1 attached to it.

2 The last offer that I am aware of
3 was written by Don Mitchell who was still
4 there, so we can establish that he left just
5 before Mitchell.

6 MR. MARCHANT: An acknowledgement
7 of debt rather than any offer.

8 BY MR. GUARCH:

9 Q. Right, the question was whether
10 there was an acknowledgement of debt? I guess,
11 if there was an offer to pay him that would be
12 an acknowledgement of debt.

13 A. I guess, there was no, nothing
14 ever said where we say we owe you, but there was
15 -- No, I think there was an offer written by
16 Mitchell.

17 Q. Now I am kind of confused, I
18 guess. The offer by Mitchell was to evaluate
19 whether they --

20 A. No, the offer by Mitchell was an
21 offer to separate. I mean, a separation offer.
22 I don't know how else to call it.

23 Q. Was it not accepted or was it --

24 A. I don't know what happened.

25 Q. You don't know what the details

1 were?

2 A. I wasn't involved in it. I don't
3 know.

4 Q. Was this at the time when he would
5 have left in 1997?

6 A. For some reason I think Mitchell
7 left in December of '96, I think; okay.

8 Oh, no, maybe it was in the
9 beginning of '97. We can look at the
10 interrogatories and see what the dates were when
11 Mitchell was not present anymore. End of '96,
12 beginning of '97, somewhere in that area.

13 December of '97, I am a whole year
14 off. Okay.

15 Q. Okay.

16 A. One year off, okay.

17 Q. Which makes more sense because
18 your testimony was that Don Mitchell was there
19 for the better part of 1997?

20 A. Yes, I am one whole year off. It
21 was December of '97 he left, so it had to be
22 just before that. It was within a month before
23 that, okay.

24 Q. Okay, so somewhere in November or
25 December of '97?

1 A. Yes, '97. Yes, '97.

2 Q. Are you familiar with Marcus Winn?

3 A. No, sir.

4 Q. Never heard of him?

5 A. Never heard of him.

6 Q. Would you as president of the
7 entity which you are have familiarity with all
8 clients?

9 A. Not all clients, no.

10 Q. Could Mr. Marcus Winn be a client
11 of the organization without you knowing it?

12 A. It is possible.

13 Q. But not probable?

14 A. Not probable.

15 Q. Would you be familiar with
16 complaints, clients that might be experiencing
17 delays in being paid? If that had happened
18 would you definitively know about that?

19 A. Most probably, yes.

20 Q. Well, if I ask you whether Mr.
21 Winn may have experienced delays in redeeming
22 his investments with The Harris Organisation,
23 and I am referring to over the last twelve
24 months, can you affirmatively say no because you
25 would know about it if he had?

1 A. I can say that I don't know who
2 Marcus Winn is. I could say that I probably
3 would have known about it. I can say that I
4 know nothing about it and I know no one who had
5 a problem if they were in liquid funds. If they
6 were in non-liquid funds, then we have had some
7 folks who had to get out, but Marcus Winn, I
8 never heard the name.

9 Q. We kind of said two things there.
10 We said I know of no one who had problems and
11 then we say if they are not in liquid funds
12 there have been people that have had problems?

13 A. No, some people wanted to get,
14 liquidate non-liquid funds and we do it on a
15 best efforts basis.

16 Q. And they have expressed the fact
17 that they felt that there were delays in getting
18 their non-liquid funds --

19 A. I know nobody has expressed it,
20 but they don't get money when they want it when
21 they are in a non-liquid fund. I don't know, I
22 don't know of anybody --

23 Q. They don't get it when they want
24 it, but they don't express it?

25 A. But they understand. If you

1 invest in the building of a building and you are
2 going to sell the condominiums in that building,
3 in the middle of the building you want out,
4 somebody has to buy you out.

5 Q. I need to stay here a little
6 bit --

7 A. Yeah, fine.

8 Q. -- So that I can understand this.

9 MR. STRIP: Did you hear his
10 answer?

11 BY MR. GUARCH:

12 Q. I did, yes. When someone invests
13 are they given a prospectus of their investment?

14 A. Yes.

15 Q. So that if they are investing in a
16 non-liquid investment they know that?

17 A. Yes.

18 Q. In what form is that communicated
19 to them?

20 A. Written prospectus.

21 Q. So if they are investing in, and
22 the example that you used was a building, for
23 example, they know that if they wanted to get
24 their investment out there would be a delay?

25 A. There would be attempted sale of

1 that -- There is no guarantee that they can get
2 out at all until the building is completed.

3 There is never a guarantee. I
4 mean, you invest in a building, condos sell and
5 you get your share of the gross take. But in
6 non-liquid it is basically the same thing. The
7 prospectus states that it is non-liquid. We
8 tell everybody we'll get them out on a best
9 efforts basis which means if somebody wanted to
10 buy the investment, into that investment and
11 this gentleman over here wants to sell out of
12 that investment, we just take his and put it
13 over there.

14 Q. And your testimony is that there
15 has never been anyone that has expressed concern
16 over delays in retrieving their investment or in
17 retrieving a payback of any sort that they felt
18 was due to them?

19 A. Say that again.

20 Q. Read it back, would you, Julio.

21 (Thereupon, the question referred to was read
22 by the reporter as above recorded.)

23 THE WITNESS: I would say there
24 have been some folks in non-liquid
25 investments that would have liked to have

1 gotten it quicker, but they understood
2 exactly why they weren't getting it
3 quicker.

4 There was no misunderstanding

5 BY MR. GUARCH:

6 Q. But that is not responsive to my
7 question. My question was whether you can sit
8 here and testify affirmatively that there has
9 never been anyone that expressed concern or
10 displeasure about the timing relating to the
11 return of their investment?

12 A. Okay, then I'll answer you that it
13 is quite possible that some one or two people,
14 and I don't have any names of those people,
15 could well have expressed some displeasure in
16 having to wait for their liquid, non-liquid
17 investments, excuse me, non-liquid investments
18 to be liquidated for them to get their money.

19 Q. Okay. Yesterday you explained to
20 me that the investment decisions that were made
21 were done with indexes?

22 A. We are doing indexing, yes, we
23 follow indexes.

24 Q. How does that relate to these type
25 of investment opportunities that you are, that

1 you identified?

2 A. Not at all.

3 Q. Not at all?

4 A. No, no.

5 Q. When I asked you yesterday about
6 decisions that were made regarding investments
7 and where people's investments are placed, you
8 said that those decisions were not made by
9 anyone because they were all in effect
10 computerized because of indexes?

11 A. The investments are made. We
12 don't -- We basically sell and buy or trade. We
13 trade in an area. We do research. The
14 investment department does research and decide
15 which particular securities we'll go into.

16 Natural resources, for example.
17 We might be in Haliburton (phonetic), for
18 example, because it is at this point down and
19 yet it is a good company from the research that
20 comes off of Bloomberg. We use Bloomberg
21 exclusively.

22 Q. You were referring to some notes
23 there in front of you. Can I ask you what those
24 are?

25 A. Here? No, these are not notes on

1 this at all. This was our letters of whatever.

2 Q. Your what?

3 A. The exhibits on the next page.

4 Q. Oh, this is the work yesterday
5 that was done when we realized that --

6 A. Right.

7 Q. That we didn't have what we
8 needed?

9 A. Yes, right.

10 MR. STRIP: We went back last
11 night.

12 (Discussion off the record.)

13 BY MR. GUARCH:

14 Q. So in effect then investment
15 decisions are made by the personnel at The
16 Harris Organisation?

17 A. Right.

18 Q. Mr. Marchant points out to me that
19 this is the opposite of what you testified
20 yesterday.

21 I suppose in response to that is
22 that, well, if it is, it is. I don't know what
23 -- You know, I felt very comfortable yesterday
24 when I asked questions about investment
25 decisions that you were telling me that it was

1 done by indexes and all done by computers and no
2 humans made decisions because you had this --

3 A. No, no, no, the computers do the
4 buys and sells via an index. The products, the
5 securities themselves are done through research.

6 Q. The buys and sells?

7 A. Yes.

8 MR. STRIP: You better explain
9 indexing again.

10 THE WITNESS: Natural resources
11 has an index, the OEX, the S&P, everybody --

12 Q. We established that all of these
13 indexes were in-house created?

14 A. No, they are not in-house created;
15 okay. Gold has an index. Silver has an index
16 and we do the trading by what the index does.
17 At certain points you get out and certain down
18 points you get out and at certain points you get
19 back in.

20 Q. When you get out where do you go?

21 A. Sidelines or into another area.
22 You might get out of -- You might drop out of
23 the gold, let's just take gold, and move it over
24 into the region of oil.

25 Q. Okay, but there is not an index

1 that tells you take it out of gold and put it in
2 oil?

3 A. No, no, no, but that is done
4 through research. That is done through
5 Bloomberg. That is what the investment
6 department does.

7 Q. Who does this?

8 A. The investment department.

9 Q. And this investment department
10 comes under Mr. Harris' auspices?

11 A. Yes.

12 Q. So in effect what the index does
13 is it creates a sell point, if you will --

14 A. Buy or sell point.

15 Q. -- Where if golds drops at a
16 certain --

17 A. Or goes up to a certain level.

18 Q. The decisions, however, concerning
19 investments into building or land or different
20 projects or bicycle ventures or what have you
21 are all done by the investment department, there
22 is no indexes, obviously?

23 A. No, you are talking -- You are
24 mixing venture capital deals now with
25 investments. They're not the same animal.

1 Q. Why don't you then give me a
2 breakdown of all of the different types of
3 investments in general terms that exist?

4 A. Investments or securities and then
5 venture capital.

6 Q. All right.

7 A. Havana Holdings are venture
8 capital. Mutual funds are securities. Venture
9 capital deals are brought and presented to the
10 board of directors and the board of directors
11 review, the board of directors review anybody
12 who might want to do a venture capital
13 placement, private placement, whatever you
14 have. And accepts or rejects it and commits to
15 doing or not doing it.

16 Q. Okay, define for me a mutual fund?

17 A. A mutual fund is a conglomerate of
18 different securities which comprise that fund.
19 They don't -- in the true sense of the word a
20 mutual fund, a mutual fund, and take for example
21 Quantum Fund, could have securities from
22 biomedical, securities from oil service, it
23 could have whatever in it.

24 Q. And in the case of the investments
25 provided by The Harris Organisation, these funds

1 are created by The Harris Organisation?

2 A. Correct.

3 Q. So they are what is called
4 in-house mutual funds?

5 A. That's right.

6 Q. And movement from one fund to
7 another of a client's money occurs how?

8 A. Same as it would anywhere else.

9 Q. What does that mean?

10 A. Put a sell order in for whatever
11 he is in and put a buy order in for wherever he
12 wants to go.

13 Q. And the mechanism for this
14 happening is what?

15 A. In-house, sell order tickets and
16 buy order tickets.

17 Q. Because a client wants to move
18 from one fund to another?

19 A. Uh-huh.

20 Q. And so your testimony then is that
21 the movement from one fund to another happens
22 because a client, a client requests it?

23 A. Just somebody wants that to
24 happen, yes.

25 Q. Okay, is somebody a client?

1 A. Everybody we deal with are
2 clients. So the answer to that is yes.

3 MR. STRIP: I think he is trying
4 to ask you whether those decisions --
5 BY MR. GUARCH:

6 Q. I think he knows exactly what I am
7 trying to ask him, A.C. He certainly knows what
8 I am trying to ask him.

9 MR. STRIP: I don't see it that
10 way. I didn't get it because you asked it a
11 third time. Why don't you just ask him --
12 BY MR. GUARCH:

13 Q. I am asking him. I am asking him
14 whether the movement from one fund to another
15 happens only because a client requests it.

16 MR. STRIP: You just changed your
17 question, but that is fine. That question
18 is fine. I understood that question.

19 THE WITNESS: Yes, unless he has
20 said to -- he could give us carte blanche,
21 the investment department, he could say to
22 Antonio, listen, Antonio, I want you to
23 trade this. I want you to change it
24 whenever you think it should be changed.
25 But we would still check with him before we

1 did anything.

2 BY MR. GUARCH:

3 Q. So the movement of a client's fund
4 from one mutual fund to another would never
5 happen without checking with the client?

6 A. Without his approval, yes.

7 Q. There would be no pre-approval?

8 A. None that I ever know of, no.

9 None that I have ever known of.

10 Q. So your testimony then is that
11 there isn't any client that has provided a carte
12 blanche to the Harris Organisation for movement
13 of their funds?

14 A. None that I know of.

15 Q. Who would know if there had been?

16 A. The investment department, if
17 there had been.

18 Q. Under the auspices of Mr. Harris?

19 A. The investment department. Mr.
20 Harris probably wouldn't know about it.

21 Q. But it is under his auspices?

22 A. Yes.

23 Q. The investment department doesn't
24 come under your line of authority?

25 A. No, it is not under my direction,

1 it's under my authority.

2 Q. Okay, under your authority. And,
3 in fact, what this is all about is investments,
4 isn't it?

5 A. No, no, not really. We do
6 hundreds of millions of dollars in asset
7 protection with no investment whatsoever.

8 We do 17 million dollars in
9 investments, so --

10 Q. So do the hundreds of million of
11 dollars of asset protection as you call them
12 come under your direction?

13 A. Under my direction?

14 Q. Uh-huh?

15 A. It comes under corporations and
16 legal. It is still under my direction. I am
17 president, you know, I -- But we do very little
18 in investments dollarwise versus what we
19 protect.

20 Q. When you talk about asset
21 protection you are not talking about having
22 access to the client's funds, correct?

23 A. No.

24 Q. You are talking about creating
25 mechanisms wherein these clients can protect

1 their assets from one of a myriad of different
2 potential attacks?

3 A. Yes, and we administer those, but
4 we do not have any connection to the monetary
5 aspects of it or the money of it or -- we don't
6 get to buy, sell, trade.

7 Q. And those decisions associated
8 with the asset protection aspect of the business
9 are made by who?

10 A. Between in-house legal,
11 corporations, planning and the client.

12 Q. And are you associated with those
13 decisions?

14 A. Associated in the fact that I
15 oversee all of the departments and the function
16 thereof and if a department, if we had a
17 complaint about a department, I would see it.

18 If service wasn't given I would
19 see it, but in the daily functions of what they
20 do, no.

21 Q. But Mr. Harris is?

22 A. No.

23 Q. Well, Mr. Harris is a public
24 speaker is he not, does seminars?

25 A. Uh-huh.

1 Q. In the course of him giving
2 seminars does he speak regarding asset
3 protection?

4 A. To the best of my knowledge I have
5 seen Mr. Harris speak one time in Chile and it
6 was on a particular subject that was on a
7 subject that didn't concern anything that he
8 provided.

9 I have never been to one of his
10 seminars except that one, and so I really don't
11 know what he speaks of at seminars.

12 Now, the last seminar, the
13 itinerary which was in Fiji, he spoke about
14 investments and how to invest, but it had
15 nothing to do with the firm.

16 He was a paid speaker. And over
17 the day-to-day functioning of the company he has
18 very little to do.

19 I mean, I am sure that you know
20 that he is on the road most of the time.

21 Q. What does he do on the road?

22 A. Seminars.

23 Q. His seminars are seminars that are
24 directly associated to The Harris Organisation,
25 correct?

1 A. No, not always. No, in fact, few
2 of them are.

3 Q. So your testimony is that Marc
4 Harris travels around the world most of the time
5 and does seminars and those seminars have no
6 affiliation with The Harris Organisation, which
7 bears his name by the way?

8 A. Well, the last three he did was
9 the FLA seminar in Bermuda. He is, was slated
10 to speak, they canceled the seminar, Mr. Teder
11 (phonetic) in Bermuda. He did in Fiji last
12 month for a Canadian outfit, so none of them
13 were for The Firm of Marc M. Harris.

14 Q. But they are for the purpose of
15 generating business for The Harris Organisation,
16 aren't they, Mr. Gandolfi?

17 A. Of course, of bringing the name of
18 Marc M. Harris before the public, okay.

19 Q. Who is Mr. Teder?

20 A. Mr. Teder?

21 Q. Yes?

22 A. He is a tax attorney from the
23 United States.

24 Q. And his involvement with Mr.
25 Harris is what?

1 A. Marc goes and speaks with him in
2 seminars and David Teder does tax planning work.

3 Q. Do you know his full name?

4 A. David Teder.

5 Q. T-E-D-E-R?

6 A. I don't know the spelling of it.

7 Q. Is it David Hempton Teder, do you
8 know?

9 A. I don't know.

10 Q. He is a U.S. tax attorney?

11 A. Yes.

12 Q. And this was a speech given in --

13 A. It was going to be a seminar in
14 Nassau, but they canceled it. Or in Bermuda,
15 excuse me, but they cancelled it. In fact, it
16 was due I think this week.

17 Q. Do you know what relationship
18 exist between the organization and Mr. Teder?

19 A. As of right now I know of no
20 relationship other than an acquaintance
21 relationship and a relationship that Marc has
22 with them.

23 Q. Okay, so Marc Harris has a
24 personal relationship with Mr. Teder?

25 A. I think they have been

1 acquaintances for a long time.

2 Q. Do you know how that acquaintance
3 got started?

4 A. No, I don't.

5 Q. Do you know any other details
6 regarding their relationship?

7 A. No, I don't.

8 Q. So in summary what you know about
9 it is that Mr. Teder and Mr. Harris have a
10 personal relationship from a long time ago?

11 A. For quite sometime and I don't
12 know, I don't want to categorize being a long
13 time. I mean, what constitutes a long time.

14 Q. Well, I don't know.

15 A. Me neither.

16 Q. Do you know when their
17 relationship originated?

18 A. No, no.

19 Q. Okay, so Mr. Harris spends most of
20 his time now promoting The Harris Organisation
21 through his seminars, correct?

22 A. They are not his seminars, number
23 one.

24 Q. They are The Harris Organisation
25 seminars?

1 A. No.

2 Q. They are someone else's seminars?

3 A. Yeah, exactly, he speaks at other
4 people's seminars. He is also, just returned
5 from London from doing work with the public
6 offerings we are doing over there and our broker
7 over there and so -- but the, as far as the
8 day-to-day operations of The Harris
9 Organisation, though, he is -- to say not
10 involved would be an erroneous statement, but he
11 is not involved as I am.

12 Q. Well, he is paid 850 thousand
13 dollars -- I am sorry 85 thousand dollars per
14 month, correct?

15 A. Yes.

16 Q. Is he an employee of The Harris
17 Organisation and when I say that obviously we
18 are talking about any one of the entities?

19 A. I don't know that.

20 Q. So as the corporate representative
21 with the most knowledge you don't know whether
22 Mr. Harris is an employee of The Harris
23 Organisation?

24 A. I don't know whether he has a
25 consultant contract, an employee. Human

1 recourses could tell you that in a minute.

2 Q. He could tell us as well?

3 A. I don't know. I guess he could.

4 I would assume so, I don't know.

5 Q. The public offering that you

6 mentioned in London?

7 A. Yeah.

8 Q. Could you tell me a little bit

9 about that?

10 A. We are doing a PLC for three
11 things right now. One is Worldwide Real Estate
12 is the name of one of them. And one is the
13 Harris Organisation, but I don't know what the
14 name of the actual PLC is for that yet. That is
15 still --

16 Q. What is a PLC?

17 A. Public listed company.

18 Q. Which means what?

19 A. It means that you can, from there
20 you go into, and this is the way that I
21 understand it and this is not my forte, okay,
22 but the way that I understand it is from there
23 you go on into Ofex or some other exchanges in
24 London. First you become a PLC and then you
25 make an application Ofex which makes you a

1 publicly traded company.

2 Q. And how long has this process been
3 ongoing for?

4 A. Probably from its inception now a
5 year and it is coming to culmination.

6 Q. Wherein the idea being that there
7 will be actually the equivalent of an IPO?

8 A. I don't think IPO is right, but --

9 Q. Well, something that -- I mean, we
10 are --

11 A. I think I know what you mean and I
12 think I'll take your -- I mean, --

13 Q. I mean, an IPO being an initial
14 public offering where previously what was a
15 closed corporation --

16 A. Yes.

17 Q. -- Offers its shares out to the
18 public and becomes publicly traded on one of
19 the --

20 A. Right.

21 Q. Has there been applications for a
22 public listing?

23 A. We have a broker over there that
24 is handling the whole thing. And that is what
25 he does, so we are making --

1 Q. That would be a yes?

2 A. We are meeting all of the
3 requirements and, in fact, as far as I know we
4 are probably 95 percent complete.

5 Q. Would the completion result in the
6 application for the public listing or would that
7 be something that would happen at the inception
8 of the process?

9 A. No, no, PLC comes first and then
10 you take the PLC and make application or it
11 happens simultaneously, I don't know.

12 Q. And this is in London?

13 A. Yes.

14 Q. Do you know with who?

15 A. Michael Beckerman.

16 Q. Michael Beckerman is the broker?

17 A. Yes.

18 Q. Michael Beckerman?

19 A. Yes.

20 Q. Do you know which exchange it's
21 anticipated that the PLC would be with?

22 A. No.

23 Q. Who would know that?

24 A. Michael Beckerman.

25 Q. Mr. Harris would know as well?

1 A. So would Marcus Hustin (phonetic).

2 Q. Who is Marcus Hustin?

3 A. In charge of special projects in
4 the corporation.

5 Q. But you don't know?

6 A. No, no.

7 Q. This process is something that
8 doesn't come under your auspices, I take it?

9 A. Doesn't come directly under my
10 control. It comes directly under the control
11 of Marcus Hustin.

12 Q. So that I am clear, your testimony
13 then is that the process of doing a PLC, which
14 is a public offering, is ongoing, but you as
15 corporate representative don't know on what
16 exchange this public offering will exist?

17 A. It's going to be put on Ofex, but
18 I don't -- You know, I know that much. The
19 when, where and how is from the special projects
20 manager and Michael Beckerman.

21 Q. So it is going to be on the Ofex
22 exchange?

23 A. Yes.

24 Q. Which is a European exchange, I
25 take it?

1 A. In London, yes.

2 Q. Do you know what the targeted
3 number is for this, what is anticipated to be
4 raised in this offering?

5 A. No. The thing is we are not
6 trying to raise any money. That is not what the
7 offering is being done for.

8 It is being done to take some of
9 our non-liquid investment like Latin American
10 Real Estate, that is number one, and make it
11 liquified to the people. And hopefully --

12 Q. Why is that?

13 A. What? Because that was the intent
14 from all along.

15 Q. Why is there a desire to make
16 non-liquid investments liquid?

17 A. When you put -- Because it goes
18 into Worldwide Real Estate which Central and
19 Latin American real estate at this time is one
20 of the hottest items for people in Europe that
21 there is.

22 So in order to make it public so
23 it can publicly trade and get appreciation or a
24 multiple on your investments, that is how it's
25 done or that is how we do it.

1 Q. I am to a certain extent -- Well,
2 I suppose that is why they call this discovery,
3 Mr. Gandolfi. I am a relatively neophyte and I
4 am struggling somewhat when we deal with some of
5 these financial specific questions, so you will
6 have to bear with me as Mr. Marchant whispers in
7 my ear and as I speak to you.

8 Well, I need you to help explain
9 to me this process of going public. There is no
10 other public -- Is there a preexisting public
11 limited corporation associated with The Harris
12 Organisation?

13 A. No.

14 Q. This is the first time into that
15 venture of --

16 A. Yes.

17 Q. -- Of public offerings?

18 A. Well, maybe let me explain to you
19 what people think of raising money.

20 Q. Let me just take a break real
21 quickly and then we can continue.

22 (Thereupon, a short recess was
23 taken.)

24 BY MR. GUARCH:

25 Q. I think what I asked you to do was

1 basically explain to me how a PLC doesn't raise
2 capital?

3 A. Okay, if you let me just -- you
4 were nice enough to say that you were a neophyte
5 in the financial business. I am a neophyte, I
6 am not technically right probably about a lot of
7 things, but --

8 Q. But you are here as the corporate
9 representative for the Harris Organisation?

10 A. I know what I am talking about
11 even if I couldn't fill the paperwork out, okay.

12 Q. Okay.

13 A. All right. An IPO is an initial
14 public offering. There are several ways that
15 you can do it. You can do private placements,
16 IPOs, all of which raise capital.

17 In an IPO you do a private sale of
18 securities that are going to be put public and
19 you raise -- if it was in a 504 reg D it would
20 be a million dollars would be the maximum
21 amount. You go to another number which I don't
22 know where you can go up to three or five
23 million dollars. We are doing none of that.

24 Private placement, I would take my
25 package of what I intend to do and I come see

1 Jay Guarch or A.C. Strip or David Marchant and I
2 say, I want you to buy some of this in a private
3 placement, okay.

4 The stock may even be public at
5 that time and I can still do a private placement
6 with treasury stock if I get permission from
7 whatever the regulatory body might be.

8 Everybody thinks SEC, but outside
9 of the United States it is some other regulatory
10 body.

11 Q. What is the regulatory body out of
12 the United States?

13 A. I don't know. I would say to you,
14 Jay, the stock is trading over here on Nasdaq
15 for 12 dollars and I need to do a five million
16 dollar raise. So what I can do is I can give
17 you some 144 restricted shares, restricted till
18 30 days, 60 days, 90 days, whatever it is and I
19 am going to let you have have them at five
20 dollars and fifty cents and here the stock is
21 trading at 12 dollars.

22 So I can do a private placement
23 for whatever I deem, whatever I am -- whatever
24 amount of treasury stock I have, whatever I need
25 to raise, one million, two million, five

1 million, whatever it is, okay.

2 We are doing none of that. We are
3 raising no money; okay, none. We are merely
4 taking the stock and going to put it on an
5 exchange so that we have a broader base of
6 clients who can invest. We are not going to
7 raise any money; okay.

8 Q. Well, --

9 A. We are simply going public.

10 Q. You are going public in order to
11 allow the public to purchase shares?

12 A. Uh-huh.

13 Q. But yet the purchase of these
14 shares which will occur as a result of you going
15 public are not going to raise capital?

16 A. No.

17 Q. Well, when these, when the public
18 purchases these shares --

19 A. Uh-huh.

20 Q. What happens to the fund?

21 A. The shareholders of -- Let's just
22 use LARE for an example, Latin American Real
23 Estate. That is probably the closest one.

24 Q. Okay.

25 A. I hold one share of Latin -- I am

1 a client now and I hold one share of Latin
2 American Real Estate. And a Latin American
3 Real Estate share for conversation sake is now
4 worth five thousand dollars, so when we go
5 public I am going to receive so many publicly
6 traded shares as a client, an individual, okay
7 all right.

8 We at Harris may hold a certain
9 amount of Latin American Real Estate shares
10 also.

11 Q. And how much in the particular
12 example of Latin American Real Estate would be
13 held by Harris?

14 A. I don't have the answer. I will
15 get it for you.

16 Q. Do you have an approximation?

17 A. No, no.

18 Q. Would it be half of the shares?

19 A. No, no, no.

20 Q. A quarter?

21 A. Probably not even that much. We
22 might have ten percent. When these shares go
23 public then it becomes a price -- First of all
24 you get, you are going to get so many common
25 shares to trade for your shares, okay. When

1 they go public and the market is developed and
2 you develop a market through market makers and
3 PR and advertising and the Internet and whatever
4 it is, then these shares as they are traded on
5 the exchange get a value.

6 Q. Uh-huh.

7 A. They can go up or they can go
8 down. We realize that hopefully they are going
9 to go up and so the gentleman now has a liquid
10 or a client now has a liquid investment which he
11 can liquidate into the market at whatever the
12 going price is.

13 If you had, and this is not to say
14 that this is what is going to happen, but if you
15 had bought Yahoo at whatever it was when it came
16 out at 18 bucks a share or something, that would
17 be very good.

18 Some other ones if you had bought
19 it it wouldn't have been good at all, but, I
20 mean, the name of the game, of course, is to go
21 public and to build a market, to build
22 enthusiasm so that the shares go up. But we
23 are not in fact doing a raise, okay.

24 Q. No, but, for example, whatever
25 percentage of shares are held in Latin American

1 Holdings by The Harris Organisation, they would
2 become liquid when in fact at this point they're
3 non-liquid?

4 A. We can sell them anyway. I mean,
5 we can sell them anyway.

6 Q. But that is a non-liquid asset?

7 A. But we sell them as non-liquid
8 assets. They are liquid to us if we want to
9 sell them.

10 Q. The question is they are
11 non-liquid assets within this family of
12 non-liquid assets that you previously testified
13 about?

14 A. Yes, sure, except unless within
15 the market that in best efforts, okay. But we
16 have clients everyday that want to make
17 investments. We could liquidate ours. For the
18 man who buys them it is truly non-liquid because
19 he infact doesn't have, unless his neighbor
20 wants to buy them, doesn't have a client base in
21 which to liquidate his shares; okay.

22 Q. Right. But the process of taking
23 Latin American Holdings into a PLC would make it
24 a liquid asset as opposed to the current
25 non-liquid asset?

1 A. Yes, yes.

2 Q. And to the extent that The Harris
3 Organisation owns a percentage of the shares in
4 a non-liquid asset it would now be a liquid
5 asset?

6 A. But it's liquid to the Harris
7 Organisation. It's not non-liquid. What we own
8 is not non-liquid to us. We have a market for
9 it.

10 Q. But it's non-liquid to the
11 investors?

12 A. Sure.

13 Q. Well, you will have a market--

14 A. Because we have customers.

15 Q. How would it be liquid to you, but
16 non-liquid to the investors?

17 A. Because we have clients. We have
18 -- We have a base of new and old customers who
19 we could sell those shares to. It's non-liquid
20 to the client because he doesn't have a base to
21 sell the shares to.

22 Q. Well, but his -- I mean, he comes
23 through The Harris Organisation and says, I want
24 to sell my shares. Why would his base be
25 different than The Harris Organisation?

1 non-liquid. You're a client, you fall in love
2 with a house. It's on the market and it is five
3 hundred thousand dollars. Your wife says I am
4 going to divorce you if you don't buy this house
5 and the guy says, well, I got another offer
6 coming here next Wednesday, a man is flying in
7 from Santa Monica to look at the house.

8 Your wife says to you, you buy
9 that house, now. And you call me and say,
10 liquidate five hundred thousand dollars worth of
11 my LARE, I need the money by next Wednesday. I
12 can't tell you I am going to do that. Could it
13 happen; yes.

14 Q. But if the Harris Organisation
15 wanted to liquidate it could do it because it
16 has a base of customers?

17 A. No, no, but we can liquidate. I
18 mean, we will and can liquidate. So we don't
19 have to raise money.

20 I mean, it's not going to -- by
21 the time that we took this thing public we could
22 have liquidated all of our holdings over the
23 last year. That is not the point.

24 Nobody has been non-liquid. I
25 mean, nobody hasn't been able to get out in a

1 year's span of time.

2 Q. So a year is the span of time
3 that --

4 A. The PLC has been in progress,
5 okay.

6 Q. Okay.

7 A. So, you know -- but, anyway it's
8 not a fund raising device for us. We didn't
9 choose it to be that way.

10 It is much harder to get listed if
11 you are going to use it as a fund raising
12 device. If you were doing it to raise money you
13 have to, you have to tell them that, okay.

14 It is a much more difficult
15 listing because then they want to know -- all we
16 are doing is going public, okay. Sorry if I
17 talk too much.

18 Q. No, not at all. It is a
19 revelation to me.

20 And perhaps at the point when we
21 see some of these documents that may relate at
22 some point it could help and maybe that is part
23 of it.

24 Frankly, I haven't had the
25 opportunity to do some homework that I would

1 have done had I seen some documents. They may
2 relate at all, and this is not a question, it is
3 a statement. I just wanted to understand it.

4 MR. STRIP: We agree.

5 BY MR. GUARCH:

6 Q. Can you identify which entities,
7 companies, organizations or otherwise are going
8 public in this?

9 A. Havana Holdings is one, separate
10 agenda. Latin American Real Estate and Marc M.
11 Harris.

12 MR. STRIP: Not to interrupt, at
13 this point I want a continuing objection
14 that this has no relation to the pending
15 litigation, but --

16 BY MR. GUARCH:

17 Q. Marc M. Harris et Cie.?

18 A. Yes.

19 Q. Is going public?

20 A. Yes.

21 Q. Havana Holdings, is that a mutual
22 fund?

23 A. Venture capital.

24 Q. Venture capital?

25 A. Yes.

1 Q. And what is the underlying basis,
2 what does Havana Holdings do?

3 A. It holds Cuban debt in Deutsche
4 Marks. It invests in companies publicly traded
5 that are in fact doing business in Cuba.

6 It has investigated, investigated
7 various projects in Cuba from -- There is only
8 one PVC pipe plant on the island to possible
9 tourist locations and hotels and what have you;
10 development. It is basically for Cuban
11 investment and to take advantage of the Cuban
12 investment.

13 Q. Now, I know that you don't do
14 business directly with individuals and you do
15 them through the previously established duly
16 authorized and acceptable entities that are
17 created.

18 But assuming that you are selling
19 Havana Holdings interests to an entity that has
20 an underlying U.S. citizen, doesn't that create
21 some problems as it relates to our existing laws
22 in the United States with regards to Cuba?

23 A. In Panama a Panamanian corporation
24 is free to invest in Cuba. You as an American
25 citizen can go buy Canada stock, trade it on the

1 Canadian stock exchange that invests in Cuba.

2 You have no problems with that. There are
3 stocks traded on the Canadian exchange that --

4 Q. Publicly traded company?

5 A. Yes, publicly traded.

6 Q. Doesn't it change if it is
7 private?

8 A. I don't have an answer for that.

9 The answer is you would have to be back in
10 regulations of SEC or whatever it is and I don't
11 have an answer for that, but I don't think it
12 changes whatsoever, okay.

13 There are hundreds of Canadian
14 companies that deal in Cuba now. Of the money
15 flowing into Cuba, Spain, Spanish money a lot,
16 but Canadians are right there.

17 Q. But Canadians aren't Americans?

18 A. No, but you can invest in a
19 Canadian company.

20 Q. Publicly traded company?

21 A. Sure.

22 Q. But a private company --

23 A. I don't know. I don't know. That
24 would be as a direct American citizen investing
25 in a company, okay.

1 Q. Well, I mean, for example, the
2 U.S. citizen that you spoke of yesterday which
3 was a doctor I believe?

4 A. Which one? No, the doctor was the
5 Internet situation, if I remember correctly,
6 neither here nor there yesterday.

7 Q. The hundred percent shareholder of
8 Marc M. Harris et Cie. is Marc M. Harris, right?

9 A. Yes.

10 Q. And he is going public?

11 A. Well, the preferred shares of Marc
12 M. Harris that are out are convertible, will be
13 convertible at their option, convert or not.

14 Q. What does that mean?

15 MR. STRIP: I am sorry?

16 BY MR. GUARCH:

17 Q. What does that mean?

18 A. Okay, we have 27 million dollars
19 worth of preferred shares issued and when it is
20 public, when it goes public those preferred
21 shares can convert to common shares in the
22 public company if they choose.

23 Q. So Marc M. Harris would have 27
24 million dollars of common ability to -- They are
25 all his shares.

1 A. No, no, no.

2 Q. Is he not the one hundred percent
3 shareholder?

4 A. No, no.

5 Q. No, okay.

6 A. One hundred percent shareholder of
7 common.

8 Q. Okay.

9 A. Okay, he has 20 million dollars of
10 common -- Well, roughly 19 million worth of
11 common shares. Also 27 million dollars worth of
12 preferred shares.

13 Q. Okay, and who owned the preferred
14 shares?

15 A. Various clients.

16 Q. Okay, the common shares that he
17 owns --

18 A. Uh-huh.

19 Q. -- Will be public through this
20 process of the PLC of Marc M. Harris et Cie.
21 correct?

22 A. They will be converted to public
23 shares and so will the 27 million dollars worth
24 of shares at a dollar a share par value.

25 Q. Marc M. Harris --

1 A. Uh-huh.

2 Q. -- Has one hundred percent of the
3 common shares of Marc M. Harris et Cie.?

4 A. Yes.

5 Q. And that is going public, correct?

6 A. Yes.

7 MR. STRIP: Assuming we are in a
8 new area I will have a continuing objection
9 so I don't interrupt.

10 BY MR. GUARCH:

11 Q. Within the disclosures that are
12 set forth in the interrogatories on shareholders
13 of the entities, one of which is, one of the
14 Plaintiffs is Marc M. Harris et Cie., there was
15 no disclosure on preferred shares?

16 A. It's right there in the front, in
17 the financial statement.

18 MR. STRIP: Yes.

19 BY MR. GUARCH:

20 Q. There is a specific question in
21 the interrogatories regarding shareholders, but,
22 you know what, let's move on because again we
23 are referring to the financial statements which
24 have underlying documents which have a whole
25 host of different variables and you guys have

1 opted out of that for the moment and --

2 A. Oh, come on, Jay --

3 Q. Well, come on what? I mean, it is
4 true.

5 MR. STRIP: Opted is not -- Not
6 opted.

7 BY MR. GUARCH:

8 Q. You have taken back all of your
9 toys that you gave me yesterday.

10 MR. STRIP: I have got them if you
11 want them. I told you they are here, but
12 they're not complete.

13 MR. GUARCH: Well, you know, I
14 mean --

15 MR. STRIP: No, no, if you want
16 them just ask for them, but they are not
17 complete. Let's see where the question
18 was.

19 (Discussion off the record.)

20 BY MR. GUARCH:

21 Q. Just clarify for me if you would
22 on the record, Mr. Gandolfi, your understanding
23 of disclosure of shareholders. Off the record
24 we have had some colloquy here on what can and
25 can't be disclosed and who is and who isn't --

1 A. The commercial code of Panama says
2 that you cannot disclose any information about
3 an investor or a shareholder without his prior
4 consent and it is a criminal offense. It's not
5 a civil or a misdemeanor.

6 Q. So then I can assume that the
7 disclosure of Marc M. Harris owning one hundred
8 percent of the common shares of Marc M. Harris
9 et Cie. has the preexisting consent of Mr.
10 Harris?

11 A. Yes, and it has been stated
12 before.

13 Q. Can I then assume that Larry
14 Abraham who is disclosed as having owned ten
15 percent as well as Peter Robin Baily as having
16 owned ten percent have their preexisting
17 authorization?

18 A. That was all disclosed before
19 during the dealings.

20 Q. During what dealings?

21 A. During the dealings of the buyout
22 and the buy back and all of the machinations
23 that went on.

24 Q. So then the answer to the question
25 would be that there is an authorization by Peter

1 Robin Baily that exists, existing wherein the
2 disclosure of him as a ten percent
3 shareholder --

4 A. The deal was public when he bought
5 the ten percent and traded Trust Services for
6 it. And the deal was public also, public record
7 when they reversed it back.

8 Q. So by being public record does
9 that --

10 A. It is disclosed.

11 Q. Does that satisfy the Panamanian
12 law which requires that there be no disclosure
13 unless it's --

14 A. I don't know, I am not an
15 attorney.

16 Q. Your understanding of the
17 Panamanian law is what I am asking for?

18 A. My understanding of Panamanian law
19 is that you cannot disclose any information
20 about an investor without his prior consent.

21 Q. Okay, you haven't yet, but you
22 will today sign these interrogatories, so with
23 the existing representations assuming that you
24 had already signed these, do you then have
25 personal knowledge that Peter Robin Baily

1 authorized disclosure of --

2 A. I know that he himself has made
3 the information public in the past.

4 Q. So that --

5 A. That eliminates the law in my
6 mind, so I will sign them with no problem, okay.

7 Q. Okay.

8 A. All right.

9 Q. So your understanding of the law
10 is that there has been a satisfaction of that
11 requirement under Panamanian law?

12 A. Public disclosure, yes. To me it
13 is fine, I won't have any problems signing
14 them.

15 MR. STRIP: By the way, we are
16 going to put that in a final form.

17 (Discussion off the record.)

18 THE WITNESS: It's better when I
19 am here to sign them and notarize them
20 rather than go to the embassy.

21 MR. GUARCH: Absolutely. What I
22 was asking was because Mr. Strip had
23 mentioned the possibility of Fedexing a
24 clean copy. I just wanted to get moving to
25 have it done if we needed to do it here,

1 so --

2 MR. STRIP: We should be getting a
3 clean copy. I better check on that again
4 today.

5 THE WITNESS: This is a clean
6 copy.

7 MR. STRIP: This is a clean copy?

8 THE WITNESS: Absolutely clean.

9 BY MR. GUARCH:

10 Q. Okay, I am going to try to move on
11 because I am going to make a sincere effort not
12 to get bogged down on financial issues that --

13 A. Yes, I am with you.

14 Q. -- That may have some revelation
15 through --

16 A. Next Wednesday we can do all of
17 this, whatever we are going to do, okay.

18 Q. Are you familiar with The Harris
19 Organisation having an interest or owning a
20 hotel in Key Largo called Neptune's Hideaway?

21 A. The Harris Organisation does not
22 have of an interest in that in Key Largo.

23 Q. Has it had an interest in it in
24 the past?

25 A. No.

1 Q. Are you familiar with that
2 allegation?

3 A. Allegation?

4 Q. Have you heard before that there
5 has been a representative ownership of ownership
6 of that?

7 A. Neptune's is a venture capital
8 situation just like Havana Holdings and LARE.

9 Q. And what is Neptune's?

10 A. Neptune's is a hotel or a motel in
11 Key Largo, Florida.

12 Q. Okay, and you have said that The
13 Harris Organisation has no interest in that?

14 A. We may own some --

15 Q. I know you're answering a question
16 that I asked you and I asked the wrong question
17 and then you answer it, but --

18 A. We may own some interest in it,
19 but it is a venture capital situation. We may
20 be one of the investors, I am not sure of that.

21 Q. So Neptune's Hideaway is a hotel
22 in Key Largo that is one of the venture capital
23 projects, if you will, that The Harris
24 Organisation --

25 A. Yes.

- 1 Q. -- Markets?
- 2 A. Yes, right.
- 3 Q. And The Harris Organisation may or
4 may not own some interest in that?
- 5 A. Yes.
- 6 Q. Do you know how much interest they
7 would hold?
- 8 A. No. No, I don't.
- 9 Q. Do you know in general as it
10 relates to the products, and I am talking
11 globally now which would consist of securities,
12 of venture capital and any other financial
13 products that may be marketed by The Harris
14 Organisation, okay, and is that broad enough
15 that --
- 16 A. Yes.
- 17 Q. Everything they pitch, fair
18 enough?
- 19 A. Yes, fine.
- 20 Q. Do you know how much of that is
21 owned by The Harris Organisation?
- 22 A. Percentage, no.
- 23 Q. Do you have an estimate?
- 24 A. No.
- 25 Q. Would it be fifty percent?

1 A. Don't have an estimate, but I can
2 get you exactly what you want from accounting on
3 any given day.

4 Q. Can you get me that together with
5 what we are going to get?

6 A. Yes, absolutely.

7 MR. STRIP: Neptune's Hideaway?

8 THE WITNESS: Caribbean
9 Convertible Note Fund.

10 MR. STRIP: Neptune's Hideaway, is
11 that what we are looking for?

12 THE WITNESS: Yes.

13 BY MR. GUARCH:

14 Q. And that is known as the Caribbean
15 Convertible Note Fund --

16 A. Yes.

17 Q. -- Within the venture capital
18 products that exist?

19 A. Yes.

20 Q. Do you know when this venture
21 originated?

22 A. Within reason September, October
23 of '97.

24 Q. And --

25 A. Within reason.

1 Q. Do you know how the --
2 Approximately?

3 A. Yes.

4 Q. That is what you mean by within
5 reason?

6 A. Give or take six years. No, no,
7 no, right around there. The middle to the last
8 third of '97.

9 Q. Do you know how the project
10 originated?

11 A. Yes, the project was originally
12 brought forth because one of my favorite
13 situations, Baskin in the Sun, the pet project
14 that I am really not very keen on was going to
15 use that location as a, a -- I guess for lack of
16 a better word a franchise training or showcase
17 type situation for people who bought Baskin in
18 the Sun franchises.

19 And so they were going to run a
20 dive operation out of there. It had a dive
21 operation at one time. It is really a great
22 location. Do you know where it is, Jay?

23 Q. Uh-huh, I do.

24 A. It is really a very, very nice
25 piece of property. So that is the reason we

1 got involved with it initially.

2 Q. This project like any other I
3 assume comes before the board of directors and
4 decision are made on investing in it?

5 A. Yes.

6 Q. Does that mean then that The
7 Harris Organisation or the Note Fund or whatever
8 entity comes forth came in and purchased this
9 property?

10 A. Uh-huh. We raised the money for
11 it.

12 Q. And then what entity purchases the
13 property?

14 A. In this particular case, and I
15 believe I am correct, it would be a crime if I
16 wasn't, it's called Neptune's Holding Company.

17 Q. And Neptune's Holding Company is
18 an entity that is created, which is owned by The
19 Harris Organisation?

20 A. No, owned by the investors.

21 Q. Investors are sold this --

22 A. Caribbean Note Fund. We did a
23 Caribbean note which pays I believe ten percent
24 interest is the number, and the note again is a
25 non-liquid situation and the note when we either

1 sold that to Baskin in the Sun or converted it
2 into something it became a profit making
3 situation or in the case of now when it is sold,
4 okay, the note will be satisfied.

5 But up until that time they are
6 paid ten percent. So it is a non-liquid ten
7 percent note.

8 Q. So an investor comes to The Harris
9 Organisation and within the myriad of investment
10 opportunities they are presented with the
11 Caribbean Convertible Note Fund as one --

12 A. Possible venture capital deal or
13 long term investment at ten percent which is,
14 you know --

15 Q. And that particular venture pays
16 ten percent?

17 A. Yes, I believe so, yes.

18 Q. So at the point where that product
19 is sold to enough people in the sense that there
20 is a fund, if you will, that goes out then and
21 funds Neptune's Hideaway company, purchase of
22 Neptune's Hideaway Hotel, correct?

23 A. Yes.

24 Q. Do you know if they did then pay
25 for this hotel?

1 A. No, no. I mean, Rachel Azpiri and
2 or her husband or whatever they call themselves,
3 I don't know how they set it up, they have a
4 million dollar mortgage on it or somewhere in
5 round numbers, a million dollars.

6 Q. Okay.

7 A. One million two hundred thousand
8 or around there. So Neptune in theory operates
9 and pays its own motgage, it pays whatever it
10 has to in the way of interest on the note and
11 until it either, either stays profitable or gets
12 liquidated at a profit or becomes taken over by
13 some other entity or whatever happens to it,
14 okay.

15 Q. Whatever movement or shift occurs?

16 A. Yes.

17 Q. Do you know whether The Harris
18 Organisation or, and when I say that obviously I
19 mean Neptune's Hideaway Company, which is part
20 of the Caribbean Convertible Note Fund has
21 always met its obligations with regard to --

22 A. It has always met its obligations,
23 okay.

24 Q. Do you know whether in the course
25 of meeting its obligations at times it has been

1 delinquent on terms for payment?

2 A. I think the maximum that it was
3 ever delinquent, Neptune, to the best of my
4 knowledge is probably two weeks.

5 Q. Do you know how many times it may
6 have been delinquent two weeks?

7 A. Maybe two times. I don't know
8 exactly.

9 Q. So during the course of having
10 this obligation to the former owners of
11 Neptune's Hideaway there may have been
12 delinquency in payment terms no longer than two
13 weeks no more than two times, correct?

14 A. To the best of my knowledge, yes.

15 Q. Well, could your knowledge be
16 lacking?

17 A. Yes, sure.

18 Q. And who might have more knowledge
19 as it relates to this detail?

20 A. It could be the manager of
21 Neptune's or it could be a gentleman named Ulf
22 Hielleize (phonetic) who manages the in-house
23 portion of Neptune Holding Company.

24 Q. Ulf?

25 A. Yes, Ulf, U-L-F, Hielleize which

1 is -- don't ask me, H-I-E-L-L-E-I-Z-E. I mean,
2 it's pure German; okay.

3 Q. This is an employee of The Harris
4 Organisation?

5 A. He is an employee of The Harris
6 Organisation who manages the Neptune project.

7 Q. Is he an employee or a contractor
8 by your definition?

9 A. He is an employee.

10 Q. So he is on the payroll?

11 A. He is on the payroll.

12 Q. He would definitively be entitled
13 to compensation should he leave the
14 organization --

15 A. Yes, exactly right.

16 Q. -- Under Panamanian law?

17 A. Yes.

18 Q. There would be no dispute as to
19 his entitlement?

20 A. No, none whatsoever. I can even
21 get you how much he gets paid.

22 Q. How much does he get paid?

23 A. 27 hundred dollars a month.

24 Q. That is a lot of money in Panama.

25 A. Not for a German. I'll tell you

1 what, I'd take ten of him tomorrow.

2 Q. Germans or Neptune's Hideaway?

3 A. No, no, Ulf. Ten Ulfs. Yes, he
4 doesn't win any popularity contest, by the way.

5 Q. A little stringent in his ways, is
6 he?

7 A. Oh, I mean, I hate to tell you.

8 (Discussion off the record.)

9 BY MR. GUARCH:

10 Q. Over the course of say the last
11 five years has The Harris Organisation always
12 been able to meet its salary commitments on
13 time?

14 A. With the exception of one time
15 that I know about where a bank transfer didn't
16 get there for two days, that is all. No other
17 time that I know of, that I am aware of.

18 And that was not for the payroll,
19 it was for the executive payroll.

20 Q. Being that that was a brief delay,
21 then I would assume that you know of no disputes
22 that exist with any current or former employees
23 about non-payment of salaries or commissions
24 over the last five years?

25 A. At time of employment or after

1 separation?

2 Q. Well, let's do it both?

3 A. Okay, after separation we know
4 Dilley thinks he is entitled to money. That is
5 one that I know about, the only one that I know
6 about, by the way. And during employment, no, I
7 know of no disputes.

8 Q. Other than Dilley you know of no
9 one else?

10 A. No, no.

11 Q. Are you familiar with any
12 correspondence, any discussions about the issue
13 of The Harris Organisation being insolvent that
14 has occurred over the last five years?

15 A. Mr. Marchant's article.

16 Q. Okay. Well, but do you know of
17 The Harris Organisation having discussions or
18 exchanging correspondence regarding that issue?

19 A. Personally I will have no
20 knowledge of that. No.

21 Q. Do you believe that The Harris
22 Organisation is insolvent?

23 A. No.

24 Q. Why not?

25 A. Because I have got the certified

1 financial, audited financial statements and
2 because of my knowledge of the workings of the
3 Harris Organisation and its assets and the fact
4 that it meets all obligations, not insolvent.

5 Q. Your reliance on the audited
6 financial statements within the scope of --

7 A. Uh-huh.

8 Q. -- Of manners in which you believe
9 it's not insolvent would really be the only one
10 that has any financial certainty as it relates
11 to your opinion, correct?

12 A. I don't understand the question.
13 I mean, I hear the question. I mean, I
14 understand the words, I don't understand the
15 question.

16 Q. Well, the fact that it has met its
17 obligation with the exception to your knowledge
18 of the times that you have testified to here
19 today doesn't mean that it couldn't be
20 insolvent, correct?

21 A. I have no feeling or no thoughts
22 of it being insolvent. I mean, from the
23 financial statements, from what I know of the
24 operation, I feel it is solvent.

25 Q. Define insolvency?

1 A. Insolvency, whether this is
2 technical or not I don't know, but insolvency is
3 where your bills exceed the amount of money that
4 you have to pay them.

5 Your obligations exceed your, the
6 amount of funds that you have to pay them with.

7 Q. So in order for you to be
8 insolvent you would need to be, you would need
9 to have not been able to meet an obligation?

10 A. Anytime that your obligations are
11 greater than the money that you have to pay them
12 you are insolvent. That is my definition, yes.

13 Q. Okay, over the past five years are
14 there any other situations that you are aware of
15 wherein The Harris Organisation has had
16 liquidity problems?

17 A. No.

18 Q. To your knowledge have there been
19 any management memorandums or any memorandums
20 circulated within The Harris Organisation that
21 have addressed the issue of possible liquidity
22 problems?

23 A. I remember a memorandum by Robin
24 Baily that I am not sure addressed that. It
25 addressed some issues of that.

1 But that is -- That is probably
2 back in the beginning of '97.

3 Q. And what issues would have been
4 addressed by Robin Baily?

5 A. I don't know.

6 Q. So the answer is that there was a
7 memorandum circulated within The Harris
8 Organisation dealing with issues of liquidity
9 problems?

10 A. No. I don't know that for
11 specific. It is a time before I would have
12 really had privy to that, was privy to that
13 information, but I had heard of a memo with
14 Robin Baily having questions or questioned some
15 things.

16 Q. About liquidity problems?

17 A. I don't know if it was about
18 liquidity problems. About, something about him
19 questioning the use of clients' funds without
20 their permission or whatever, you know.

21 Q. So you are familiar with a
22 memorandum circulated by Robin Baily that you
23 know questioned the use of clients' funds
24 without their permission, correct?

25 A. No, I didn't say I was familiar

1 with it. I have heard that there was such a
2 memo; okay?

3 Q. Okay.

4 A. So --

5 Q. You have never seen it?

6 A. No.

7 Q. Have you ever been made aware by
8 anyone in the Harris Organisation that there is
9 a situation that exists in the group's accounts
10 which creates a negative difference between
11 assets and liabilities?

12 A. Say that again.

13 Q. Are you familiar or have you been
14 made familiar or have you heard from anyone that
15 there exist a problem with the financials of The
16 Harris Organisation wherein there is a negative,
17 significant negative difference between assets
18 and liabilities?

19 A. No.

20 Q. Other than your review of that
21 financial statement which we referred to here
22 today, do you have a basis for an opinion as to
23 the solvency of The Harris Organisation?

24 A. I think it is perfectly solvent.

25 Q. And how do you reach that

1 conclusion?

2 A. From the financials because that
3 would be the most prominent way.

4 Q. Other than that?

5 A. From my day-to-day operations in
6 The Harris Organisation.

7 Q. These financials are recently
8 created, correct, December of this year?

9 A. December of '97.

10 Q. Right.

11 A. December of '98 are going to be
12 finished here post haste.

13 Q. But that audited statement is
14 subsequent to the writing which brings us here
15 today, the writing of Mr. Marchant's article,
16 correct?

17 A. This one, yes.

18 Q. So other than that financial
19 statement what basis would you have to have an
20 opinion as to the solvency of the Harris
21 Organisation?

22 A. The '98 statement which will be
23 done shortly.

24 Q. Prior to, prior to this there has
25 never been an audited financial statement done

1 in the past?

2 A. No, but if it is solvent now it's
3 solvent. I mean, it was solvent in '97 and
4 solvent in '98.

5 Q. My question is, and perhaps --

6 A. You are asking me if I know if it
7 was solvent in 1988, I don't know.

8 MR. STRIP: Put a time factor,
9 Jay, in your question.

10 THE WITNESS: In the time that I
11 have been there?

12 BY MR. GUARCH:

13 Q. At the time of the writing of Mr.
14 Marchant's article --

15 A. Uh-huh.

16 Q. I believe it was March 31st --

17 A. Of '98.

18 Q. -- Of 1998 --

19 A. Yes.

20 Q. -- There was no audited financial
21 statement upon which you could rely to formulate
22 an opinion about the solvency of The Harris
23 Organisation; is that correct?

24 A. That is correct.

25 Q. So with that as a time period --

1 A. Okay, fine.

2 Q. -- What would you have as a basis
3 for an opinion about the solvency?

4 A. The internal statements.

5 Q. And have you reviewed those
6 internal statements?

7 A. From time to time.

8 Q. So the internal statements were
9 reviewed by you to give you an opinion about the
10 solvency of --

11 A. It wasn't reviewed by me to give
12 me an opinion about anything. It was reviewed
13 by me to look at profits.

14 Q. But not --

15 A. And I had no reason at that time
16 -- There was no reason why I would believe
17 anything but The Harris Organisation's solvency;
18 none.

19 There wasn't any reason for me to
20 think otherwise. And the fact that I did review
21 the internal statements gave me the reason to
22 believe that it was perfectly solvent.

23 Q. But your review of the internal
24 statements were for the purposes of determining
25 profitability?

1 A. Yes, sure.

2 Q. Are you familiar with the Harris
3 Organisation at this time having a need to raise
4 capital?

5 A. No.

6 MR. STRIP: Excuse me, at this
7 time, are we back in April of '98?

8 BY MR. GUARCH:

9 Q. This time?

10 MR. STRIP: Now, current?

11 MR. GUARCH: Yes.

12 MR. STRIP: Thank you.

13 BY MR. GUARCH:

14 Q. Yes, now. In April of 1998 was
15 there a need to raise capital?

16 A. No, no.

17 Q. Could you identify for me what
18 bank accounts you claim are, have been closed
19 because of the article that appeared in Offshore
20 Alert?

21 A. Okay, I don't know whether I can
22 identify all of them. We can sure do that after
23 you get your discovery, but ABN Amro, BP
24 Liechtenstein, Banco do Brazil -- I will leave
25 out Swiss Bank Monaco because I haven't been

1 able to rectify your letter yesterday here.

2 If we count brokerage accounts
3 Smith Barney, who we did business with for
4 years, probably two or three other ones that I
5 can't remember off the top of my head.

6 Q. How do you conclude that the
7 closing of these bank accounts are a result of
8 Offshore Alert?

9 A. I have actually had letters. I
10 read one personally that said -- although I have
11 been notified of the banking department that
12 there are others that said that because of the
13 negatory information that is published here and
14 there and whatever we find it necessary to close
15 your account.

16 Q. So your testimony is then that
17 there is one document that exists that supports
18 it?

19 A. Yes, that I read personally, okay.

20 Q. Well, I mean, you are the
21 corporate representative so you have the
22 responsibility to find them if they exist and if
23 you don't find them then we deem them not to
24 exist; fair statement?

25 A. Fair statement.

1 Q. Okay. So you know of one
2 document --

3 A. Uh-huh.

4 Q. -- That has any direct correlation
5 to the closing of an account with the Offshore
6 Alert?

7 A. Yes, sure, plus statements from
8 the bankers would be good. Affidavits, that
9 would work; wouldn't it?

10 Q. What statements do you have from
11 any bankers?

12 A. No, but that would work, wouldn't
13 it?

14 Q. No, it wouldn't work because it
15 would not be admissible.

16 A. Okay.

17 Q. What would work would be either
18 your testimony with some specificity or some
19 documentation that you provide.

20 A. Okay. Well, I testified that
21 those banks closed because of that.

22 Q. And we, by the way, in light of
23 the obvious and lack of timeliness of providing
24 any of these documents which will arrive next
25 week on the record reserve our right to

1 continue --

2 MR. STRIP: Sure.

3 THE WITNESS: Yes.

4 BY MR. GUARCH:

5 Q. -- Discovery for obvious reasons.

6 MR. STRIP: Yes, we agree.

7 THE WITNESS: We don't have a
8 problem with that.

9 BY MR. GUARCH:

10 Q. Other than this one document that
11 exists that makes reference to the Offshore
12 Alert article there is no other document that
13 would --

14 A. I don't remember.

15 Q. You don't remember?

16 A. No.

17 Q. That means that there may be?

18 A. There may be.

19 Q. Well, how are we going to create
20 some certainty to your memory so that we can
21 know what it is that you claim are damages or
22 serves as a basis for damages since we are set
23 to go to trial in a very short period of time
24 here?

25 MR. STRIP: We'll produce whatever

1 we have and if we don't ASAP --

2 MR. GUARCH: When?

3 MR. STRIP: ASAP, tomorrow or the
4 next day as fast as I can and if we don't
5 produce any, as you said earlier, you may
6 deem the fact that they don't exist.

7 BY MR. GUARCH:

8 Q. Insofar as any verbal
9 communication that may have existed with you or
10 anyone to your knowledge with The Harris
11 Organisation with regard to these damages, who
12 would you have spoken to that would have told
13 you that?

14 A. Maria Elena Varela (phonetic).

15 Q. Who is that?

16 A. Head of banking, head of treasury.

17 Q. Head of treasury where?

18 A. At the firm.

19 Q. She would have had --

20 A. I would have spoken to Alan
21 McAloon who would have spoken directly to those
22 people, the bankers, and she had spoken directly
23 to the bankers. Those would be the two people
24 that I would have gotten it from.

25 Q. And Alan McAloon is on your

1 witness list?

2 MR. STRIP: Yes.

3 THE WITNESS: I believe he is,
4 yes.

5 BY MR. GUARCH:

6 Q. And you anticipate that he will
7 testify at the trial?

8 A. Yes.

9 MR. GUARCH: A.C., let me run this
10 by you because maybe we don't need to get
11 involved in a potential pleadings practice.
12 I want this to be on the record.

13 MR. STRIP: Okay.

14 MR. GUARCH: I have been advised
15 both by Mr. Strip as well as Mr. Marchant
16 that there has been a criminal action
17 brought against him in Panama by The Harris
18 Organisation.

19 I think we can probably agree that
20 it thereby obviates his ability to go to
21 Panama to be involved in any discovery
22 efforts.

23 THE WITNESS: Why?

24 MR. GUARCH: Because if there is a
25 criminal action brought against him in

1 Panama he would be subjected to arrest in
2 Panama.

3 THE WITNESS: Not true.

4 MR. GUARCH: Well, --

5 MR. STRIP: I can't respond, Jay,
6 I don't know. I am not involved in that.

7 MR. GUARCH: I don't think that
8 Mr. Marchant with a criminal action brought
9 against him by The Harris Organisation in
10 Panama should be subjected to Larry Gandolfi
11 as to the opinion that he won't be arrested
12 if he goes to Panama.

13 MR. STRIP: I wouldn't want you to
14 rely on that.

15 THE WITNESS: No, I wouldn't want
16 you to rely on it either, but --

17 MR. GUARCH: I don't think that
18 you would want me or Mr. Marchant to rely on
19 it.

20 MR. STRIP: And nor are we asking
21 you to.

22 MR. GUARCH: That being a given --

23 MR. STRIP: I want to say once
24 again, I am not at all involved in the
25 Panamanian action whatsoever.

1 MR. GUARCH: The record will
2 reflect that Mr. Strip has disassociated
3 himself with the filing of this action in
4 Panama.

5 MR. STRIP: I know nothing about
6 it.

7 MR. GUARCH: And previously he has
8 spoken to me and disassociated himself. But
9 what I am getting at is the fact that I
10 believe that Mr. Marchant has a severe
11 limitation in his ability to be involved in
12 discovery with regard to potential witnesses
13 that would testify at this trial.

14 Mr. Gandolfi is here because he
15 has to be as a corporate representative. I
16 would like to see if we could stipulate that
17 any of these individuals that would testify
18 at trial would simply be able to be deposed
19 prior to the trial here in Miami in
20 accordance or conveniently as it relates to
21 the trial; not with any special fanfare
22 necessarily.

23 I am not suggesting that you agree
24 to put them all on a plane and send them
25 over here next week, but that to the extent

1 that they are going to testify that we be
2 given a fair opportunity to depose them in
3 light of what I believe to be the inability
4 for Mr. Marchant to participate in that.

5 MR. STRIP: Well, --

6 THE WITNESS: I would ask why you
7 believe that. All you have to do is answer
8 the charge.

9 MR. GUARCH: What charge? Mr.
10 Marchant has not been presented with
11 anything.

12 THE WITNESS: Well, then he has no
13 problem.

14 MR. GUARCH: I have been advised
15 by your lawyer, Mr. Gandolfi, that there has
16 been a criminal charge brought against him.

17 MR. MARCHANT: I was served.

18 MR. GUARCH: I am sorry, you were
19 served.

20 MR. MARCHANT: Yes.

21 MR. STRIP: Let me say this --

22 MR. GUARCH: Let me just finish
23 this, please. This lawsuit that we are
24 referring to here is not in Panama. It's in
25 the United States of America.

1 THE WITNESS: Uh-huh.

2 MR. GUARCH: So I don't believe
3 that your statement that all he has to do is
4 answer the charge or your giving him any
5 other legal opinion as to what is going to
6 happen in Panama changes the fact that this
7 is a lawsuit pending in the United States of
8 America.

9 Now, I am giving you an
10 opportunity to agree to this before I deal
11 with it within the court system. I think
12 it's fair. I think it's courteous and
13 professional on my part to deal with it in
14 this fashion.

15 I personally don't have a personal
16 opinion on how we do it. I just think it is
17 a professional courtesy that should be
18 extended.

19 MR. STRIP: Let me respond by
20 saying I hadn't thought of this in the past,
21 so I need a little time to think about it.

22 I don't know whether Mr. Marchant
23 is a safe harbour in Panama or not.

24 MR. GUARCH: I know you are not
25 going to render legal opinion.

1 MR. STRIP: Yes, and, of course,
2 Mr. Gandolfi although he has some feelings
3 is not a Panamanian lawyer. So perhaps that
4 is the first thing that we or you should
5 check.

6 MR. GUARCH: Let me interrupt you
7 for a moment and bring something else into
8 this segment of the record, and I think we
9 probably should somehow identify that, Mr.
10 Court Reporter, so we can easily find it.

11 Mr. Gandolfi testified yesterday
12 that when someone has a debt or an
13 obligation in Panama that it isn't as simple
14 in Panama as just owing it, that in fact if
15 someone that owes -- I want to say that we
16 were talking about thirty thousand or maybe
17 not, maybe it was one hundred thousand
18 dollars debt to Panama, that if they went
19 back they may never leave.

20 I think that Mr. Gandolfi's
21 testimony here yesterday made it perfectly
22 evident that Mr. Marchant has every reason
23 to be concerned about his personal safety
24 and, in fact, fear for his life if he where
25 to travel to Panama by Mr. Gandolfi's own

1 testimony in light of that action being
2 brought against him.

3 MR. STRIP: Well, what he was
4 talking about --

5 MR. GUARCH: That being said --

6 MR. GUARCH: He was talking about
7 a debt.

8 THE WITNESS: Let me finish
9 because you are taking that out of context.

10 MR. STRIP: We are not talking
11 about bodily harm. We are talking about
12 immigration's restriction from leaving
13 Panama if there is a judgment against you.

14 He was not talking about bodily
15 harm like you may never leave alive. That
16 is perhaps how you read into it.

17 THE WITNESS: And the key words,
18 "judgment against you." If you --

19 MR. STRIP: Perhaps that is how
20 you read his answer and I tried not to
21 interfere.

22 MR. GUARCH: Once again, we don't
23 know whether there is or isn't a judgment.
24 Let's assume that it is just a judgment.

25 MR. STRIP: I'll tell you that

1 there is none.

2 THE WITNESS: No, there is no
3 judgment.

4 MR. GUARCH: But that being said,
5 we'll go back and --

6 MR. STRIP: That I can represent
7 to you you.

8 MR. GUARCH: That being said, I
9 apologize for interrupting.

10 MR. STRIP: The statement as I
11 understand the law in Panama as well, and I
12 am not a Panamanian lawyer, but I believe if
13 there is a judgment against you like for a
14 debt of thirty or fifty thousand dollars
15 debt, you are not going to just leave the
16 country.

17 MR. GUARCH: You qualified that
18 statement, but back to the issue at hand.

19 MR. STRIP: I don't know if Mr.
20 Marchant has a safe harbor or not. I think
21 we first have to determine that issue.

22 If he does not, then the issue you
23 raise is valid with the exception that, of
24 course, as counsel you are free still to
25 take the deposition.

1 MR. GUARCH: That is correct.

2 MR. STRIP: Mr. Marchant --

3 MR. GUARCH: I think it is fair to
4 say that since Mr. Gandolfi participated in
5 Mr. Marchant's deposition that the true
6 reciprocal would be that --

7 MR. STRIP: I was just about to
8 say, you would be somewhat hampered if your
9 client was not at your side and I'll be the
10 first to acknowledge it.

11 So having been caught, I don't
12 want to say by surprise, but thinking -- I
13 want to extend every professional courtesy
14 as you have to me, I think that first I
15 would like to find out whether or not Mr.
16 Marchant has a safe harbor in Panama to, for
17 depositions being taken and then we can
18 cross that bridge. I think we can probably
19 answer it in a day or so, I guess.

20 MR. GUARCH: Well, you have
21 previously mentioned to me in our
22 conversations, Mr. Strip --

23 THE WITNESS: Jay, can I interrupt
24 you a minute. It's lunchtime and how about
25 you just let us go to lunch and talk about

1 this and pick it up right after lunch?

2 MR. STRIP: Well, what I think I
3 would like to have you do is call Panamanian
4 counsel and --

5 MR. GUARCH: Let me say this. I
6 am not going to rely on anybody here,
7 respectfully, A.C. --

8 THE WITNESS: No, no, no, no.

9 MR. GUARCH: -- Or Larry telling me
10 that Mr. Marchant can travel to Panama. I
11 am going to file a pleading with the United
12 States District Court for the Southern
13 District of Florida should we not have an
14 agreement that discovery can be taken here,
15 which I find to be quite frankly very
16 professional of me to do so.

17 THE WITNESS: By the way, Jay, I
18 am trying to work out a solution. If you
19 let us go to lunch and maybe we can talk
20 about some things.

21 MR. GUARCH: What I am saying is,
22 don't come back and tell me that he can go
23 there safely.

24 THE WITNESS: No, I am not going
25 to do that.

1 MR. GUARCH: You know, he believes
2 that about as much --

3 THE WITNESS: Jay, Jay, we are
4 going to discuss the various options not
5 about whether he can go to Panama on not and
6 we are going to think about it.

7 MR. STRIP: One hour to think
8 about is not that long.

9 MR. GUARCH: No, quite the
10 contrary, you don't even have to answer me.
11 I am just trying to see if we can reasonably
12 agree. We can go off the record, suffice to
13 say that the issue that we are addressing
14 will be discussed later.

15 (Thereupon, a lunch recess was
16 taken.)

17 MR. GUARCH: Did we make any
18 progress with the --

19 MR. STRIP: Oh, we are checking.

20 MR. GUARCH: -- The issues that we
21 discussed.

22 MR. STRIP: We are checking to see
23 what, and you might want to do the same. I
24 am not telling you what to do, of course,
25 and we are checking to see what alternatives

1 we can offer you. We thought of several.

2 One of the questions, of course,
3 is if we bring him up here, are you guys
4 going to pick up the cost. That is one
5 issue. So let us play with this for maybe a
6 little bit more in the afternoon.

7 MR. GUARCH: Well, what I was
8 proposing prior to lunch, which I thought
9 was reasonable, was that to the extent that
10 anyone is going to testify at the time of
11 trial, that we be given an opportunity to
12 depose them.

13 We have no problem with it being
14 prior to the trial in conjunction with
15 coming here for the trial.

16 THE WITNESS: My question with
17 that which is, it is reasonable, Jay, okay,
18 how does he get the review his deposition,
19 how does he get to sign it? It won't even
20 be complete in a day.

21 MR. STRIP: He may waive that. He
22 may choose to waive that.

23 MR. GUARCH: Not being complete
24 would really give us the limitation of being
25 able to use it. It's really just a matter

1 of having the opportunity to conduct
2 discovery.

3 THE WITNESS: Okay, we'll discuss
4 it.

5 MR. STRIP: That is what Larry and
6 I were talking about. Whoever it is has to
7 come up like a day early or something like
8 that, whatever, and you may want to think
9 about this, too. I am not looking for an
10 answer right now. We are trying to work out
11 something reasonable. We thought of a
12 couple of alternatives maybe.

13 One thing is you may want to check
14 with David, if they come a day early are you
15 going to pick up the expenses for a day
16 early, which may not be too great.

17 We are also thinking about the
18 possibility of offering you a neutral site
19 which is something that will make sense.

20 MR. GUARCH: Well, we talked about
21 this sometime ago, but my point right now is
22 that I need to either get an agreement or
23 file a pleading.

24 MR. STRIP: Right. Well, by the
25 end of the day we'll hopefully get an answer

1 as to whether or not David is in harm's way
2 if he goes to Panama which I don't expect
3 you to rely on the answer that I get.

4 If the answer is yes, there is
5 nothing further for you to do except find an
6 alternative with us.

7 If the answer is no, then you may
8 want to do your own independent satisfaction
9 on that question. So when we adjourn maybe
10 whatever time it is we'll make a couple of
11 phone calls and well give you something.

12 MR. GUARCH: I just don't want you
13 to --

14 MR. STRIP: I am not going to make
15 you wait till the last minute.

16 MR. GUARCH: I don't want you to
17 waste time doing things that won't satisfy
18 anything insofar as our perception.

19 MR. STRIP: It will satisfy me if
20 they say that he is in harm's way, then I am
21 satisfied.

22 MR. GUARCH: Oh, okay. You are
23 convinced that you have to deal with an
24 alternative in good faith and I appreciate
25 that.

1 MR. STRIP: We've got two or three
2 alternatives that we'll produce if in fact I
3 get that kind of an answer, which is very
4 possible that I might.

5 BY MR. GUARCH:

6 Q. Okay. Are you familiar with the
7 T-shirt that has been circulated that says that
8 the only reason that David Marchant is alive is
9 because he is not in Panama or something to --

10 A. Circulated?

11 Q. Exists, ever seen it?

12 A. Yes.

13 Q. How did that come about?

14 A. What did the T-shirt say?

15 Q. David, why don't you just -- This
16 will be one of these times that Mr. Strip said
17 that you could come on the record. What does it
18 say?

19 MR. MARCHANT: Words to the effect
20 that Marchant is only alive because killing
21 him would be a crime.

22 THE WITNESS: Something like that,
23 yes. It's not a quote, but, you know --

24 MR. MARCHANT: It was printed in
25 La Prensa newspaper.

1 BY MR. GUARCH:

2 Q. Are you familiar with the origin
3 of that T-shirt; where did it come from?

4 A. No, I am not.

5 Q. Have you seen it?

6 A. Yes, I have seen it.

7 Q. Where did you see it?

8 A. In Marc's office.

9 Q. Something that Marc displays?

10 A. No, no, I just saw it up there.

11 Q. On a wall, on the desk?

12 A. No, actually a coat tree hanging
13 like that jacket would be hanging.

14 Q. Do you know whether Marc had it
15 printed?

16 A. No, I do not.

17 MR. GUARCH: Mr. Strip, I would
18 ask that you take note of the fact that a
19 T-shirt of that nature exists.

20 MR. STRIP: I am caught by
21 surprise, obviously. It is a bad joke.

22 MR. GUARCH: I take it as your
23 word that you are caught by surprise. I
24 look at it as something different than a bad
25 joke.

1 I would like to not get involved
2 in these matters for purposes of the issues
3 that we have discussed here with regard to
4 discovery.

5 MR. STRIP: No, I understand.

6 MR. GUARCH: Again, I am extending
7 a professional courtesy by dealing with
8 these issues now --

9 MR. STRIP: Right.

10 MR. GUARCH: Rather than later.

11 MR. STRIP: I can get you a
12 response at a time that we adjourn today. I
13 will have some answer for you and some
14 alternative.

15 MR. GUARCH: I hope Mr. Harris
16 don't feel that way about Mr. Marchant's
17 counsel.

18 THE WITNESS: I don't think that
19 Mr. Harris feels that way at all.

20 BY MR. GUARCH:

21 Q. Are you familiar with a
22 corporation or an entity known as Trust
23 Services, S.A.

24 A. Yes.

25 Q. What is that?

1 A. Trust Services is, and these are
2 my beliefs, I have no dealings with Trust
3 Services.

4 I believe it has been in existence
5 for sometime. I believe it is run by Robin
6 Baily and Derek Sambrook. Whether Derek
7 Sambrook is an owner or not, I don't know.

8 Robin Baily at one time was the
9 sole owner. I think I'm confident in saying
10 that.

11 Q. Who is Robin Baily?

12 A. Robin Baily is a British gentleman
13 that owns or did own one hundred percent of
14 Trust Services at one time.

15 Q. Okay, did Trust Services have some
16 sort of relationship with The Harris
17 Organisation?

18 A. Yes, Trust Services, in fact, I
19 guess merged is a good reason, a good statement,
20 with The Harris Organisation back when I first
21 came with The Harris Organisation, and then they
22 unwound that merger and went back to where it
23 was.

24 Q. So the timing on this would have
25 been a merger occurred in approximately 1996?

1 A. End of '96, yes.

2 Q. And unwound or disassociated?

3 A. End of '96, very beginning of '97.

4 Q. Was the termination of that
5 relationship acrimonious would, you say?

6 A. I think so, yes.

7 Q. Why?

8 A. That means friendly, right?

9 MR. STRIP: Acrimonious, the
10 opposite.

11 THE WITNESS: Oh, acrimonious?

12 No, I don't think that it was acrimonious at
13 all.

14 BY MR. GUARCH:

15 Q. Do you know why they
16 disassociated?

17 A. Only hearsay and I will gladly
18 tell you what I heard. Hearsay is that the --
19 in fact, I don't, I don't -- I really don't
20 remember why they unwound the deal.

21 Q. Whether or why?

22 A. Why, why. I know they unwound it,
23 but I wasn't involved at that time. It was Don
24 Mitchell and in fact Carl Dilley was involved
25 with that.

1 And, I'll tell you, one of the
2 things that led to it was that Derek Sambrook
3 had written an article under a nom de plume, is
4 that right -- a pen name, okay, for an offshore
5 magazine which I don't remember the name of the
6 magazine, called a Toothless Tiger or something
7 of that nature, which we felt was a direct slap
8 at the Harris Organisation and we had a meeting
9 with Robin Baily about it and after that things
10 seemed to unwind.

11 But I don't think that there was
12 anything unfriendly about the unwinding.

13 Q. Other than Mr. Mitchell and Mr.
14 Dilley I take it Mr. Harris would know about
15 this?

16 A. Oh, I am sure that Mr. Harris
17 would know about that, yes.

18 Q. But you don't?

19 A. No, I don't.

20 Q. At least as it relates to the
21 disassociation with Trust Services then you
22 would have to admit that Mr. Harris would be a
23 better corporate representative, more
24 knowledgeable?

25 A. In that instance, yes.

1 Q. Let me show you a document and we
2 can mark it as Exhibit J.

3 A. I don't know how you did that
4 because I was still going H, I, trying to get to
5 the next letter.

6 BY MR. GUARCH:

7 Q. For identification. It has a date
8 of 18th of January of 1997, appears to be a
9 letter from Marc Harris to a Dr. Boutin,
10 B-O-U-T-I-N?

11 A. Boutin, very very close to another
12 word in Italian; Boutin, okay.

13 Q. Is that a memorandum that you can
14 authenticate?

15 A. No.

16 (Thereupon, the above-mentioned
17 document was marked as Defendant's Composite
18 Exhibit J for identification this date.)

19 BY MR. GUARCH:

20 Q. Is it a memorandum that you have
21 any reason to believe is not legitimate?

22 A. No.

23 Q. Is it a memorandum that you
24 believe then is legitimate?

25 A. I don't have a belief one way or

1 the other. I don't have any evidence that it is
2 not legitimate. I don't have any evidence that
3 it is legitimate.

4 Q. So short of asking Mr. Harris
5 whether that is his signature there we wouldn't
6 have any way of legitimizing it, would be?

7 A. Or Mr. Boutin.

8 Q. Or Mr. Boutin? Who is Mr. Boutin?

9 A. He was in-house counsel for the
10 firm at that time.

11 Q. Is he currently associated with
12 the firm?

13 A. He is currently indicted.

14 Q. Why did he get indicted?

15 A. Extortion.

16 Q. Who did he extort money from?

17 A. The firm, or attempted to.

18 Q. Was he indicted in Panama?

19 A. Yes.

20 Q. So the firm had him indicted?

21 A. No, the "fiscal" had him
22 indicted.

23 Q. Did the firm initiate it, initiate
24 a --

25 A. No, no, he initiated a sequester

1 using fraudulent documents.

2 Q. What is a sequester?

3 A. Sequester of assets. He had made
4 accusations against the firm and as in-house
5 counsel had come to some of the members of the,
6 some of the officers, Ilka Barria being one of
7 them, okay.

8 I don't remember the other ones
9 offhand. Had her sign documents saying, hurry,
10 hurry, you have to sign these because of
11 whatever. And unfortunately some of the
12 documents were notarized before the date they
13 were signed and a few other things and so we
14 presented the whole package to the courts in
15 Panama.

16 It is-- in a criminal case in
17 Panama you present it and then they decide
18 whether they indict or don't indict and in this
19 case he is indicted on a very large number of
20 charges.

21 He has been incarcerated. He is
22 out. He cannot leave Panama. The "fiscal"
23 has presented the -- I forget the Spanish name
24 for it, to the judge and it should go to trial
25 here in -- Oh, I would think after elections.

1 May the 6th is the elections, so sometime in
2 June or July.

3 Q. How long was Dr. Boutin in-house
4 counsel for The Harris Organisation?

5 A. I don't have a specific number of
6 years.

7 Q. Approximately?

8 A. Probably two years, two and a half
9 years.

10 Q. And his departure coincided with
11 his indictment or did that happen at different
12 times?

13 A. No, actually I can't remember. It
14 was close to simultaneous, but it wasn't. In
15 fact, I think the indictment happened before his
16 departure.

17 Q. So at the time that he was
18 indicted he was still employed by The Harris
19 Organisation?

20 A. I don't know that for sure.

21 Q. But you think that that was the
22 case? I just want to be sure that I understand
23 what you just said?

24 A. I would rather not commit to that
25 because the timing would be --

1 Q. Well, do you know if he was fired?

2 A. No, I don't know that, Jay.

3 Q. At some point he was fired, is
4 that correct?

5 A. That would have to be a good
6 assumption on my part. I don't know, I never
7 saw his letter. I have never seen --

8 Q. He is not currently employed by
9 The Harris Organisation?

10 A. No, that is true, that's right.
11 Okay, yeah, he is no longer currently with us.
12 I am really not sure, Jay, and I say this in all
13 honesty, whether he had left before he put in
14 the sequester.

15 He was within about forty-eight
16 hours of getting away with the money.

17 Q. Did he bring legal action against
18 The Harris Organisation at some point?

19 A. He brought a civil action that,
20 that instituted with a bunch of what now turn
21 out to be certified by the "fiscal" and the PTJ
22 which is a special police, forged documents with
23 forged signatures that The Harris Organisation
24 in fact owed him a million dollars in fees,
25 which would have been pretty stiff considering

1 the retainer and considering he had only been
2 there two years.

3 And then came in and had the girl
4 sign a paper in a rush that she acknowledged
5 that. And The Harris Organisation never knew
6 about it. And so then he sequestered the money
7 which will you see on the statement, it is
8 there, and we got wind of it and we had to --
9 You know, then we had the "fiscal" when we had
10 the criminal action started and then, of course,
11 that was October the 20th of 1997, I think, you
12 know, somewhere like that, October of '97,
13 September or October of '97.

14 Q. So he did sequester Harris
15 Organisation funds?

16 A. Uh-huh.

17 Q. And they continue sequestered?

18 A. Yes.

19 Q. Pending the outcome of the legal
20 proceedings?

21 A. No, we then had to post a bond so
22 that he couldn't get them, and then the
23 "fiscal" put a criminal sequester on them so
24 that nobody could get them and they would be
25 returned to us at the end of the trial.

1 He has been indicted. He has been
2 indicted, okay, on many counts, many counts.
3 Very serious, serious.

4 Q. But he has not been found --

5 A. No.

6 Q. -- Guilty of anything?

7 A. No, no.

8 Q. And it is a million dollars that
9 is sequestered?

10 A. 1.1 I think it is.

11 Q. 1.1?

12 A. Yes.

13 Q. Having reviewed this document and
14 I guess I have to ask you since there is some
15 question about its legitimacy perhaps in your
16 mind, assuming that it is a legitimate document
17 would it change your opinion about an
18 acrimonious ending between The Harris
19 Organisation and Messrs. Baily and Sambrook?

20 A. Not necessarily because -- What is
21 the date on that document; January the 18th?

22 Q. January the 18th of 1997, yes?

23 A. I really from my remembrance of
24 the thing, I mean, there wasn't anything that
25 seemed hostile about it. Except for Sambrook, I

1 mean, Sambrook is a whole other story.

2 Q. Okay, but so then there is some
3 semblance of organization let's leave Sambrook
4 aside for the moment.

5 A. Okay, I don't think between Baily
6 and Mr. Harris or the organization there was
7 hostility. I don't think there is today.

8 Q. Well, this document indicates that
9 there was an extraordinary shareholders meeting
10 to authorize the following acts, one of which
11 was the preparation of the filing of criminal
12 extortion charges against Messrs. Baily,
13 Sambrook and Carlos Barnes.

14 A. Uh-huh.

15 Q. Am I to understand that your
16 testimony is that there would be a preparation
17 of filing of criminal extortion charges in a
18 friendly fashion against Mr. --

19 A. But they were never filed.

20 Q. But this is what Mr. Harris is
21 authorizing?

22 A. Well, possibly there was a
23 settlement of that the next day or the same
24 day. I mean, you know, I don't know, so I can't
25 tell you or testify to it.

1 I don't know, but in my opinion
2 from what I saw and what I continue to see today
3 there is not an animosity that I see between Mr.
4 Harris and Mr. Baily.

5 Q. But at this time there was an
6 immediate termination of Robin Baily for
7 violation of his responsibilities as an officer
8 and director of Marc M. Harris et Cie.?

9 A. Yes.

10 Q. That in fact occurred?

11 A. I don't know.

12 Q. You don't know?

13 A. No.

14 Q. Can we agree that Mr. Harris is a
15 corporate representative and the only corporate
16 representative that can deal with the subject
17 matter that I am asking; Mr. Strip?

18 MR. STRIP: I didn't get that. Do
19 we agree that Mr. --

20 MR. GUARCH: Can we stipulate that
21 Mr. Harris would be the only corporate
22 representative with regard to all of the
23 subject matter that would have the knowledge
24 sufficient to testify about it?

25 MR. STRIP: I can stipulate that

1 Harris would be one of the people who would
2 know. I don't know who else was involved.
3 Might be in-house legal as well, might be --

4 MR. GUARCH: Well, he has been
5 indicted.

6 MR. STRIP: Yes, I understand
7 that.

8 MR. GUARCH: This is a memorandum
9 to Dr. Boutin whom Mr. Gandolfi has
10 testified is currently under indictment, so
11 he obvioulsy can't help us.

12 MR. STRIP: You are asking me if
13 only Mr. Harris knows and all I am saying is
14 that if we take the word "only" out we are
15 okay. I don't know who else was there. We
16 may have had in-house counsel sitting in.

17 MR. GUARCH: Can you give me a
18 corporate representative other than Mr.
19 Harris that would be able to satisfy my
20 quest for knowledge?

21 MR. STRIP: I can certainly try,
22 yes. Frankly, I don't see any relevance to
23 your cause of action. I have got a
24 continuing objection, but I will still
25 nonetheless give you a corporate

1 representative that is aware of the
2 termination of Boutin, is that what you are
3 after, and the separation with Sambrook and
4 Baily.

5 MR. GUARCH: Sambrook and Baily,
6 yes.

7 THE WITNESS: I will testify why
8 Boutin is not here, but Sambrook and Baily I
9 think is what he is after.

10 MR. STRIP: I am trying to nail
11 down exactly what you are asking because we
12 have three individuals here.

13 So I am writing down who knows
14 details about separation of Baily and
15 Sambrook, am I saying it right?

16 MR. GUARCH: Separation, filing of
17 criminal extortion charges against them.

18 MR. STRIP: Well, you already have
19 testimony that that was not filed.

20 MR. GUARCH: No, I have testimony
21 that he doesn't know of that being filed.

22 THE WITNESS: No, it was never
23 filed.

24 MR. STRIP: He said that.

25 THE WITNESS: I know that.

1 BY MR. GUARCH:

2 Q. Do you know that there was a
3 forbiddance of entrance into any and all offices
4 of the Harris Organisation?

5 A. That never occurred.

6 Q. So your testimony is that Mr.
7 Harris never advised Dr. Boutin that as a result
8 of an extraordinary shareholders meeting that
9 was held, the act that was authorized was an
10 immediate order to forbid entry into any and all
11 offices of The Harris Organisation by Messrs.
12 Baily, Barnes and Sambrook?

13 A. The gentleman that would know that
14 would be Sam Gander (phonetic), because he would
15 have gotten the order.

16 Q. The gentleman that would know it
17 would be Mr. Harris who wrote this memorandum to
18 Dr. Boutin, isn't that true?

19 A. Would he know if that order was
20 ever executed? I doubt it. I mean, if you got
21 the memo Boutin would be the only one to know if
22 he executed the order or not.

23 If that is truly a Harris memo,
24 fine, Harris knows that he wrote the memo, but
25 as far as the execution of the order goes, the

1 gentleman that would know would be Sam Gander.

2 We don't even know if that memo
3 got to Boutin and only Boutin can answer that.

4 Q. Whether this was the intent of Mr.
5 Harris or not is really irrelevant as it relates
6 to whether it got to Dr. Boutin, isn't it?

7 A. I don't know. You had asked me if
8 there was an order issued whether, that he was
9 barred from the offices and I don't know that.

10 Q. I had asked you whether you had
11 personal knowledge of an authorization as a
12 result of an extraordinary shareholders meeting
13 to authorize that order?

14 A. Personal knowledge, no.

15 Q. As corporate representative of The
16 Harris Organisation?

17 A. No, no.

18 MR. STRIP: Give me the date on
19 that, Jay?

20 THE WITNESS: 1-18-97.

21 MR. STRIP: 1-18-97, thank you.

22 THE WITNESS: What does it have to
23 do with why we are here?

24 MR. STRIP: Nothing.

25 THE WITNESS: Oh, okay.

1 BY MR. GUARCH:

2 Q. What does it have to do with what?

3 A. Libel, slander and --

4 MR. STRIP: But this is discovery
5 and to be liberally construed.

6 BY MR. GUARCH:

7 Q. Well, --

8 (Discussion off the record.)

9 MR. GUARCH: I am testing about
10 his level of truthfulness as it relates to
11 his denial that there was an acrimonious
12 disassociation between Baily, for the
13 moment, and The Harris Organisation.

14 And I am seriously questioning the
15 legitimacy of the lack of that in light of
16 this memorandum.

17 MR. STRIP: Uh-huh.

18 MR. GUARCH: Which seems to go
19 beyond an acrimonious relationship to
20 authorize the filing of criminal extortion
21 charges against Mr. Baily and you can
22 certainly appreciate that I have a serious
23 question in my mind about the veracity of
24 the testimony that I am hearing for purposes
25 of being perfectly clear about my mind frame

1 on this and why it is relevant.

2 MR. STRIP: Okay, I hear you. I
3 don't agree because I see a lot of other
4 possibilities.

5 MR. GUARCH: Of course you don't
6 agree.

7 MR. STRIP: There is a lot of
8 other possibilities --

9 MR. GUARCH: I don't expect you to
10 agree.

11 MR. STRIP: Besides harassment.

12 MR. GUARCH: There is a myriad of
13 other issues, but --

14 MR. STRIP: That is right.

15 MR. GUARCH: -- But that in and of
16 itself is one that is -- Let me ask you this
17 and this can be off.

18 (Discussion off the record.)

19 MR. GUARCH: I guess maybe if we
20 can just in a continuing effort to
21 simplify --

22 MR. STRIP: Sure.

23 BY MR. GUARCH:

24 Q. -- And legitimize I guess those
25 documents, and I appreciate -- By the way, let

1 me say that I can appreciate the fact that you
2 are not Marc Harris and, you know, I am not
3 suggesting that you have to know something that
4 you don't know.

5 A. Well, no, no, you know --

6 Q. Mr. Gandolfi, I mean --

7 A. I mean, I understand that fully,
8 okay, and I fully appreciate that. The fact is
9 that --

10 Q. Obviously, inter-office memoranda
11 and documents that you would know in a normal
12 course of your business and in your position as
13 president and as corporate representative here
14 are the sort of things that I anticipate that
15 you would be able to legitimize and
16 authenticate.

17 A. Donald Mitchell was still
18 president at that time.

19 Q. I understand.

20 A. Okay.

21 Q. But what I am getting at is that
22 this in fact is not really even a Harris
23 Organisation, you know, headed document?

24 A. No.

25 MR. STRIP: But consider the

1 possibility or maybe even probability that
2 Larry totally misconstrues the relationship
3 between Marc and Baily, but in his mind I
4 think he is saying I believe it is
5 friendly.

6 THE WITNESS: In my opinion.

7 MR. STRIP: He might be dead
8 wrong.

9 THE WITNESS: I think you will see
10 some things after that that will lead you to
11 believe what I believe, okay, and I -- I
12 have talked to Baily and, you know,
13 obviously I talk with Marc and I don't see
14 any animosity there.

15 MR. STRIP: He may be dead wrong,
16 but that is what he is testifying is the way
17 that he sees it.

18 MR. GUARCH: Well, there is no
19 doubt that for whatever purposes an
20 acrimonious relationship could be repaired
21 as time went on.

22 MR. STRIP: Especially for money.

23 MR. MARCHANT: He didn't ask him
24 if they were friendly.

25 MR. STRIP: Well, --

1 MR. MARCHANT: That wasn't the
2 question.

3 MR. STRIP: I think he testified
4 that they were rather cordial or something I
5 can't remember his words. But money solves
6 a lot of problems when there is a buyout.
7 And I don't know that it did, but --

8 BY MR. GUARCH:

9 Q. Do you agree that, Mr. Gandolfi,
10 money could solve a lot of problems if there was
11 a buyout?

12 A. I don't know in what context.

13 MR. STRIP: I am talking about --
14 didn't Harris end up buying Baily and
15 Sambrook?

16 THE WITNESS: No, they had agreed
17 to a buyout and they just unwound it.

18 MR. STRIP: Okay.

19 THE WITNESS: I mean, that wasn't
20 any --

21 MR. STRIP: Didn't money change
22 hands?

23 THE WITNESS: I don't want to say
24 that because I don't know that. If it did
25 change hands, it changed back.

1 BY MR. GUARCH:

2 Q. Made them friendly again?

3 A. I don't know that it made them
4 friendly again. I mean, but --

5 MR. STRIP: Friendlier.

6 THE WITNESS: This is right.

7 BY MR. GUARCH:

8 Q. Well, you think they are friendly
9 now, that is a fair statement, correct? I hate
10 to beat a dead horse because --

11 A. I don't think that they are
12 friendly, but I don't think that they have any
13 animosity. I mean, it's kind of like strangers
14 in the night, you know.

15 Q. So the animosity that may have
16 existed at the time of the writing of this
17 memorandum could have been fixed through a
18 payment?

19 Your lawyer is suggesting it. I
20 am just wondering whether you agree or not, that
21 is all?

22 MR. STRIP: It is my understanding
23 that Trust Services was unwound and money
24 changed hands from one direction to the
25 other and I am just saying people unwind and

1 money changes hands, whether you buy or you
2 sell, and in my mind that solves a lot of
3 problems.

4 That may not be germane to this
5 particular issue. I have seen many
6 instances were partners or whatever were
7 antagonistic. Somebody buys out somebody
8 else, the check changes hands and all of a
9 sudden there is hugs.

10 BY MR. GUARCH:

11 Q. Is that a fair characterization?

12 A. Lovers have quarrels and they get
13 over them, you know.

14 MR. STRIP: I don't know that that
15 occurred here, but --

16 BY MR. GUARCH:

17 Q. But that is a fair
18 characterization of what may have happened here,
19 correct?

20 A. Both these guys are class acts. I
21 mean, there is no -- I could name some people
22 that aren't, but they are both intelligent folks
23 and --

24 MR. STRIP: When you are done let
25 me skim it.

1 THE WITNESS: What am I looking
2 for here?

3 BY MR. GUARCH:

4 Q. I am just wondering whether you
5 can look at these documents and give us a very
6 simple basis, which you said they are, they
7 appear to be or they are Harris Organisation
8 documents and Trust Services documents,
9 documents that in the regular course of business
10 are kept. Same thing that we did yesterday.

11 MR. STRIP: At least they appear
12 to be.

13 THE WITNESS: Yes, this is Trust
14 Services' letterhead. Peter Robin Baily and
15 Minerva Tapia, Pedro Coronado, so I assume
16 this goes underneath this letterhead.
17 Okay.

18 It appears to be Trust Services
19 documents, yes. This one here, this appears
20 to be a Trust Services document. This memo
21 from Don Mitchell, everything that is
22 usually written at the firm is written on a
23 memo head or a letterhead, a template form.

24 This appears, what could be Mr.
25 Mitchell's style of writing, but the second

1 page certainly does not with the spelling
2 errors in the second page and the words it
3 doesn't appear to be Mr. Mitchell's memo.

4 If you read them both it's totally
5 different, totally different.

6 BY MR. GUARCH:

7 Q. That may not be in order and we'll
8 have to --

9 A. I don't know, but it's almost a
10 joke. Mitchell was a very articulate person and
11 the second page has some verbs that are under
12 and, you know, weird stuff that was not like
13 him. And, yes, he did have spell check on his
14 machine, yes. Largest ISD department in the
15 world.

16 Q. Largest what?

17 A. ISD department, that is a joke.

18 Q. Well this is a -- The document
19 that you are referring to is a document that has
20 a heading, anyway, dated January the 24th of
21 1997 from Donald A. Mitchell to Marc Harris.

22 A. Yes, but it's not -- Everything
23 that we ever do -- You know, could it be? Yes,
24 it could be.

25 The style appears to be correct,

1 but the second page doesn't appear to be
2 anything that even is close to what Mr. Mitchell
3 would ever write.

4 Read the first one and read the
5 second page and you see that there are glaring
6 errors.

7 Q. Lets's go off the record a
8 minute.

9 (Discussion off the record.)

10 BY MR. GUARCH:

11 Q. Back on the record. The fact of
12 the matter is that this particular document as
13 it relates to its legitimacy by someone that is
14 currently employed by The Harris Organisation or
15 associated with The Harris Organisation, since
16 we know not the status of Mr. Harris'
17 association, could only be Marc Harris,
18 correct?

19 It purports to be a document that
20 was sent from Donald A. Mitchell in his capacity
21 as president at that time to Mr. Harris, right?

22 A. Probably one of Mr. Harris'
23 assistants would get every piece of
24 correspondence that he gets and reviews it
25 before he gets it.

1 Q. Well, certainly from a corporate
2 representative's standpoint, Mr. Gandolfi, you
3 are not suggesting that his assistant would be
4 more capable of --

5 A. She is a director.

6 Q. -- Of serving in the function of
7 corporate representative.

8 A. She is a director.

9 Q. Let me finish. You are not
10 suggesting to me that an assistant of Mr. Harris
11 would be more capable of serving in the capacity
12 of a corporate representative than he, are you?

13 A. As it concerns that letter I think
14 it would be equal. Not as a corporate
15 representative, no.

16 Q. I want to be sure that I've got
17 this one clearly in my box. You are suggesting
18 that the person to whom this memorandum is
19 directed would be less capable of testifying as
20 to its contents than his assistant?

21 A. I can't testify to that.

22 Q. Okay. The document appears to be
23 directed to Mr. Harris, correct?

24 A. But all of that would have gone
25 through the assistant.

1 Q. Do you have personal knowledge
2 that this document was seen by his assistant?

3 A. No, no. But the second page of
4 that document in my opinion doesn't go with the
5 first page.

6 Q. Because --

7 A. Just read it, Mr. Guarch, and read
8 the second page and, you know, it wouldn't take
9 rocket science to figure it out.

10 Q. Well, I don't have rocket science,
11 Mr. Gandolfi, I am just a poor little old Cuban
12 lawyer in Miami asking questions.

13 I do see some spelling errors on
14 the first page as well, so, it appears that
15 whomever wrote this didn't use spell check on
16 either page.

17 The fact of the matter is that
18 this particular document you cannot
19 authenticate?

20 MR. STRIP: That is the only
21 issue.

22 BY MR. GUARCH:

23 Q. I understand.

24 A. I can't. Amen, that is it.

25 MR. STRIP: We agree. Do it the

1 hard way, but we agree.

2 BY MR. GUARCH:

3 Q. The other documents, are they -- I
4 mean, can we authenticate these? Can we
5 stipulate to these or can we or can we not for
6 Trust Services?

7 MR. STRIP: For Trust Services?

8 BY MR. GUARCH:

9 Q. Trust Services documents, The Firm
10 of Marc M. Harris memorandum from Donald
11 Mitchell?

12 A. You see, that one is on a
13 letterhead, on a template. So that one I would
14 be more inclined to -- because, I mean, you
15 know, you open -- when you write a memo you get
16 memo templates.

17 Q. Right, I understand.

18 A. I mean, it's just -- The other one
19 struck me as being strange, Jay, that is all.

20 MR. STRIP: Why don't we summarize
21 that everything on letterhead I think he is
22 saying appears to be --

23 THE WITNESS: From where it came.

24 MR. STRIP: Yes, from where it
25 came. There is a question in his mind as to

1 the other memo.

2 MR. GUARCH: And for purposes of
3 your needs and mine we can stipulate to
4 these being authentic.

5 MR. STRIP: Yes.

6 MR. GUARCH: Great.

7 MR. STRIP: That is what you were
8 trying to do and I didn't want to interrupt.

9 MR. GUARCH: No, but I also want
10 to make it perfectly clear that I am not
11 trying to make someone authenticate
12 something that they -- I mean, you know, if
13 he has a question about it, he has a
14 question about it. That is all right.

15 This particular document, I guess
16 we can go ahead and mark it as Exhibit K.
17 Let's mark the memorandum on The Firm of
18 Marc M. Harris Inc., letterhead dated
19 January the 23rd of 1996 from Donald
20 Mitchell to Dr. Gilberto Boutin --

21 THE WITNESS: Boutin.

22 BY MR. GUARCH:

23 Q. Boutin, yes --

24 MR. STRIP: Is that L or K?

25 BY MR. GUARCH:

1 Q. Still K. Also has on the heading
2 cc: Marc Harris and Carl Dilley. And I guess
3 specifically, Mr. Gandolfi, what I would, what I
4 am wondering is whether you have any knowledge
5 regarding the second page, second paragraph
6 says, "As I understand it from our discussion
7 today, the 23rd, is the day that you plan on
8 proceeding with the filing and sequestering
9 of the Robin Baily Enterprices. As you are
10 aware, we have a memo from Marc one week ago
11 regarding the activities that he wished for
12 you to take. Let's look at this memo and
13 move forward."

14 Are you familiar at all with
15 sequester of Robin Baily Enterprices?

16 A. No, no, I am not. What is Robin
17 Baily Enterprices?

18 Q. That is why I am asking you. It's
19 a memorandum from Donald Mitchell to Dr. Boutin?

20 A. Boutin, yes.

21 (Thereupon, the above-mentioned
22 document was marked as Defendant's Composite
23 Exhibit K for identification this date.)

24 BY MR. GUARCH:

25 Q. I note that there is a cc to Mr.

1 Harris.

2 A document which we'll mark as L,
3 Exhibit L, same sender, same recipients.

4 MR. STRIP: Mitchell to --

5 BY MR. GUARCH:

6 Q. Mitchell to Boutin, ccs to Mr.
7 Dilley and Mr. Harris.

8 Second page, the second paragraph
9 reads, "As you are aware, only Marc makes the
10 financial decisions and Carl and I have not been
11 made a part of that decision making."

12 A. That was Mitchell to who?

13 MR. STRIP: Boutin.

14 (Thereupon, the above-mentioned
15 document was marked as Defendant's Composite
16 Exhibit L for identification this date.)

17 BY MR. GUARCH:

18 Q. Mitchell to Dr. Boutin. Is it a
19 fair statement that Mr. Harris has the, has the
20 bottom line say in what happens with The Harris
21 Organisation and financing, finances?

22 A. By finances --

23 Q. Let me restate that. It would be
24 a fair statement to say that Mr. Harris has the
25 final say in what happens with The Harris

1 Organisation financial matters; is that correct?

2 A. Depending how large. We now do it
3 in directors meetings, if there is a large
4 expenditure or a large whatever.

5 And, again, I can't testify to --
6 What is the date on that one?

7 Q. Same date?

8 A. 1-23-96.

9 Q. No, and I understand, the document
10 speaks for itself. It doesn't -- I am not
11 asking you to change words or interpret words
12 or --

13 Give me just a moment to talk to
14 David.

15 MR. STRIP: Sure.

16 (Discussion off the record.)

17 BY MR. GUARCH:

18 Q. Tell me about Derek Sambrook and
19 his relationship with The Harris Organisation?

20 A. Okay, Derek Sambrook came into The
21 Harris Organisation or was interviewed or
22 however you want to call it, from The Harris
23 Organisation about the same time that I --
24 almost simultaneously when I first took the job
25 of marketing, consultant marketing and

1 advertising.

2 And Don Mitchell, Marc, I guess,
3 although Marc had little to do with it, it was
4 Don and Carl Dilley had interviewed -- Carl had
5 just come along at that time also because I
6 brought Carl. And it was agreed that Derek
7 would come to work for the firm and Derek did.

8 To the best of my recollection
9 Carl and Derek never, never got along. I mean,
10 they had super hate for one another, and so it
11 made it difficult. Finally Derek wrote this
12 article called The Toothless Dragon or The
13 Toothless something or other and published it
14 under another name in a magazine and that just
15 fired up the whole organization.

16 Q. What was the nature of that
17 article?

18 A. I don't remember. It was an
19 article about -- If you know Derek, you don't
20 know Derek, but Derek is a -- I think Derek
21 helped write the trust law in, if not Nevis,
22 some Turks or something like that. And he is --
23 no offense, David, to you, he is very British
24 and very -- Think of a little Cesar running
25 around, okay.

1 Immediately he moved up into Trust
2 Services in the area. He immediately took the
3 huge glass conference room and eliminated that
4 and made that his office. And Robin Baily sat
5 outside and still sits outside as far as I know
6 on a desk, okay, in the wide open spaces with
7 the girl over here and the another girl over
8 there. I mean, he is a mini dictator or ruler
9 by rule. So therefore --

10 Q. Was he part of the Trust Services
11 entities?

12 A. That is when Trust Services and I
13 am not one hundred percent sure of this, but I
14 think that is when the Harris Organisation and
15 Trust Services were together, but he actually
16 came to work for the Harris Organisation. Was
17 hired by Don Mitchell and so that is what I know
18 about Derek Sambrook, okay.

19 Q. And how did he leave the group or
20 the organization?

21 A. He left in a not very friendly
22 manner. I recall that he was asked to leave
23 immediately and he had a car and driver provided
24 and that was removed from him immediately and he
25 was told to vacate the apartment post haste. I

1 don't know, I won't say immediately, but post
2 haste.

3 Q. Do you know why?

4 A. I think that, I think that in my
5 opinion, which is all that I have here, the
6 article really just fired everyone up and I
7 think that Carl Dilley probably had as much say
8 or to do about that or stirred the fire as hard
9 as anybody could about that.

10 Q. Because this was an article that
11 he published under a pen name which drew into
12 question some of the financial dealings that
13 were going on?

14 A. No, no, nothing financial. It was
15 the methods that we employed. The advertising,
16 the salesmen, quote unquote, high pressure
17 closes or that insinuation, okay.

18 Q. Right.

19 A. But the problem is that it never
20 mentioned the firm. Never mentioned the firm in
21 the article, but the problem was that it was, I
22 was like looking in the mirror when you read it
23 and it just -- Being employed by the firm,
24 having been paid by the firm and paid well,
25 everybody including myself just felt that it was

1 absolutely wrong for the guy to write an article
2 like that, okay, under assumed name.

3 Q. At the minimum a loack of loyalty?

4 A. Yes, it just had the wrong
5 conotation, so --

6 Q. Back to the document that isn't
7 under a Harris letterhead so it is not under a
8 stipulation of authenticity, but it does make
9 mention of, and again we are back to Marc Harris
10 writing to --

11 A. Boutin.

12 Q. Boutin?

13 A. Why do you have trouble with that
14 name?

15 Q. My entire life I have had mental
16 blocks against the pronunciation of certain
17 names for no particular reason. It is certainly
18 not that I am unable to pronounce something, but
19 I don't know.

20 MR. STRIP: That is why I use
21 initials.

22 BY MR. GUARCH:

23 Q. And I'll continue to have a
24 problem with Boutin.

25 A. Now you said it.

1 Q. My short term memory is not as bad
2 as everything else. This particular remorandum,
3 the memorandum that we made reference to
4 previously which was marked as Exhibit J makes
5 reference to one of the directives as a result
6 of this extraordinary shareholders meeting being
7 the immediate taking of possession of the
8 automobile owned by La Firma de Marc Harris
9 provided by the company to Derek Sambrook as
10 well as the imediate eviction on Derek Sambrook
11 from the apartment owned by Inversiones Arcos,
12 S.A.

13 A. Yes.

14 Q. A wholly owned affiliate of the
15 holding company.

16 A. Yes.

17 Q. So I am not asking you to recant
18 on your absolute certainty that this document is
19 legitimate, but clearly the subject matter
20 within this is consistent with what was going on
21 at the time?

22 A. What I said, right, to my
23 testimony. Yes, okay.

24 Q. Did either Messrs. Sambrook or
25 Baily bring any action claiming unfair dismissal

1 by the organization or Trust Services?

2 A. No. In fact, and to my
3 recollection, there is a -- there is a final
4 document somewhere, A.C., that I have seen at
5 one time, I don't know if we've got it here or
6 we need to bring it here, that everything was
7 amicable at the end and everything was fine and
8 there was no wrongdoing and everybody was happy,
9 you know, kind of like a --

10 Q. Back to those buyouts and payouts
11 cure all sort of?

12 A. Yeah, like -- that is why I said
13 that I didn't think there was any hostility.
14 Certainly wasn't a coerced document. Have you
15 seen that?

16 MR. STRIP: I have a vague
17 recollection of some sort of a, of a mutual
18 sign-off. I don't want to say release.

19 THE WITNESS: How about you let
20 him and I talk for a minute; is that okay?

21 (Discussion off the record.)

22 BY MR. GUARCH:

23 Q. Bill Amos is a name that was
24 referred to in I believe Exhibit J. Do you know
25 anything about, with guard to his association

1 The Harris Organisation?

2 A. Bill Amos was a salesman for the
3 Harris Organisation before I, before I got there
4 and he, he was terminated very shortly after I
5 left.

6 MR. STRIP: After you what?

7 THE WITNESS: After he left. I
8 mean, after I got there, sorry.

9 BY MR. GUARCH:

10 Q. What was the reason for his
11 termination, do you know?

12 A. Actually, Bill Amos was a pretty
13 great salesman. He really was, but some of his
14 tactics in sales were just a little bit too far
15 over the line and he and Don Mitchell didn't get
16 along very well, so Bill Amos was --

17 Q. Had some personal problems with
18 Don Mitchell?

19 A. Not personal, on a business
20 nature, Jay.

21 Q. Don Mitchell fired him, I guess?

22 A. I think that is what you can come
23 down and say.

24 Q. Do you know what the underlying
25 basis for him being fired was?

1 A. Coming in when he wanted, going
2 home when he wanted. Some probably unsavory
3 sales tactics, I would say.

4 And so he was very, very hard to
5 manage. He was not to be regimented in any way
6 shape or form.

7 Q. Was there legal action between The
8 Harris Organisation and Mr. Amos?

9 A. Amos had started a legal action,
10 but it never went anywhere. I am fairly
11 familiar with the legal action.

12 Q. What was the basis for it?

13 A. He wanted a two hundred thousand
14 dollar settlement, I believe is the number, but
15 it was close to that. And he said that he was
16 promised some stock as ownership in the company
17 which the legal action never went anywhere.

18 At one time he was going to then,
19 okay, I'll accept fifty thousand dollars, which,
20 by the way, the firm was willing to give him.
21 He was there for maybe a year, a year and a
22 half, and it was a good settlement. He did a
23 hell of a job.

24 Just later you found out that the
25 job that he did was not particularly at times,

1 even though he was an attorney, he might not
2 have been completely knowledgeable of some of
3 the things that he would present as fact which
4 is a kiss of death in our organization or in any
5 organization, I feel.

6 And then, unfortunately, he is now
7 indicted by the Federal Court in Alabama on a
8 pretty bad charge with a thing called the
9 Millennium Fund and to the best of my knowledge
10 he is in hiding somewhere.

11 Q. Seems like a lot of people are
12 running and hiding that were previously
13 associated with the organization?

14 A. Well, you know what, Jay --

15 MR. STRIP: It just occurred to
16 me, lawyers with The Harris Organisation
17 have not fared well. Maybe I would
18 reconsider.

19 MR. MARCHANT: Exactly.

20 THE WITNESS: Well, you know, Jay,
21 it is -- the Bill Amos story is -- He is a
22 hell of a guy to party with. I'll tell you,
23 but he is just, you know, just isn't the
24 kind of guy that you want to have.

25 BY MR. GUARCH:

1 Q. Was there perhaps a lack of due
2 diligence associated with the hiring of some of
3 these people by The Harris Organisation, by the
4 organization?

5 A. When you say these people?

6 Q. Well, some of the -- We seem to be
7 discussing a series of individuals here that
8 have had some problems in their disassociation
9 with the organization?

10 MR. STRIP: Who left under adverse
11 conditions.

12 BY MR. GUARCH:

13 Q. Fair enough.

14 A. I don't think there would be any
15 lack of due diligence in Derek Sambrook's part.
16 I mean, the man's credentials are good. Amos'
17 credentials are good. You don't learn about
18 their personality unfortunately until after they
19 are in place.

20 Q. Did they just go bad?

21 A. Amos got worse. I mean, you
22 know -- if you can't say anything good about
23 somebody, don't say anything at all.

24 Q. Unless, of course, under oath you
25 are asked a question and you have personal

1 knowledge and then --

2 A. I gave you my personal knowledge.

3 I have opinions which I won't give you, okay.

4 Q. I'd like your opinions.

5 A. No.

6 Q. Was Amos disbarred in the United
7 States to your knowledge?

8 A. To my knowledge I think, yes.

9 Q. Was this something that was known
10 at the time that he became associated with --

11 A. No.

12 Q. Was it something that was known
13 during the course of his association?

14 A. No, it was found out before he
15 left, before he was let go.

16 Q. Right, so it was discovered --

17 A. Part of it, yes.

18 Q. -- During the course?

19 A. Part of it. Yes, part of the
20 program there.

21 Q. Do you know why he was disbarred?

22 A. No, I don't.

23 Q. Did he hold himself out as an
24 attorney? Let me rephrase that. Quite
25 obviously he held himself out as an attorney

1 since you said that even though that he was an
2 attorney he would do certain things that --

3 A. Which is a question in my mind. I
4 mean, you don't have to be a member of the bar
5 to be an attorney.

6 Q. Correct.

7 A. Okay, I just want to be sure of
8 that.

9 Q. We are actually skipping over some
10 questions that I have here because I think we
11 have spoken about Carl Dilley pretty
12 comprehensively.

13 A. And freely, I think.

14 Q. Did we get a copy of the complaint
15 that you --

16 MR. STRIP: I have it on my list
17 of things to bring you.

18 THE WITNESS: Refresh my memory;
19 complaint?

20 MR. STRIP: The lawsuit that we
21 filed against him.

22 THE WITNESS: Oh, okay, yeah.

23 BY MR. GUARCH:

24 Q. Yesterday A.C. testified that --

25 MR. STRIP: Yes, yes.

1 BY MR. GUARCH:

2 Q. -- That the Harris Organisation
3 had sued Carl Dilley.

4 MR. STRIP: It is on my list of
5 things to produce. I am going to get on the
6 phone this afternoon. I don't know if I
7 have it here and get all of this stuff
8 coming down to you.

9 MR. GUARCH: To your knowledge --
10 Well, geez, to your knowledge fact witness,
11 Mr. Strip, has Carl Dilley been served with
12 this lawsuit?

13 MR. STRIP: To my knowledge as a
14 matter of courtesy we have not because he
15 asked me to give him a -- what is the word,
16 an accounting. Remember, I discussed that
17 yesterday and I said I think he is entitled
18 to that much. By now, you know, I try to be
19 honorable and I said, Carl, let me get that
20 accounting first and --

21 MR. GUARCH: Well, Carl is
22 generally regarded as a great guy, I think.

23 THE WITNESS: Oh, no, no, Carl and
24 I are friends.

25 MR. STRIP: Very likeable. And I

1 felt reluctance and I so I said, you have
2 asked something reasonable, I want to
3 produce it. I don't want to put you in a
4 position where you've got to start filing
5 answers, retaining counsel. Let me get you
6 the accounting and let me see if we agree or
7 disagree. So as my own act I have not
8 served him yet. I gave him a copy, though

9 BY MR. GUARCH:

10 Q. Thank you for your testimony, Mr.
11 Strip. Carlos Barnes?

12 A. Carlos Barnes, B-A-R-N-E-S.

13 Q. Barnes, yes.

14 A. Yes, I know very little of him. I
15 probably met him two times, that is all.

16 Q. Was he an employee?

17 A. Yeah, we was an employee who was
18 -- To the best of my recollection of his
19 background he was a finance officer in a bank, I
20 believe, in Panama.

21 Q. Was hired in a financial capacity?

22 A. I believe he, it was really in
23 investments, but like I said, I met him twice.
24 He was there before I came on board.

25 Q. Do you know when he was hired?

1 A. I would probably -- I would have
2 to say in '95 I would think, the end of '95,
3 beginning of '96, but I am not sure.

4 Q. He is not currently involved?

5 A. No, hasn't been for, hasn't been
6 for three years.

7 Q. Okay.

8 A. When Mitchell came on board and
9 Mitchell became president, Carlos Barnes was one
10 of the part of the changing of the water.

11 Q. He was fired?

12 A. Yes.

13 Q. Why?

14 A. (Thereupon, the witness made a
15 hand gesture.)

16 Q. That hand movement means what?

17 A. Yeah, that doesn't go good on the
18 record. It is my understanding for accounting
19 problems, not doing what he was supposed to do.
20 A lot of talk and no production of the work that
21 he was supposed to be producing; okay.

22 So I think because of his
23 financial background in the bank he was -- I
24 forget his exact title in the bank, he was
25 supposed to come in and take over the in-house

1 accounting and get everything set up and after a
2 reasonable amount of time I think when they
3 looked at it there wasn't anything changed.

4 Q. Would his departure in your mind
5 be identified as acrimonious?

6 A. I think that, and I really don't
7 have any knowledge of that, so --

8 Q. Do you know whether there was ever
9 any legal action between Carlos Barnes and The
10 Harris Organisation?

11 A. None to my knowledge.

12 Q. Do you know whether there was ever
13 any consideration of bringing legal action
14 against Mr. Barnes?

15 A. Not to my knowledge.

16 Q. Do you know whether there was ever
17 in your opinion a basis for the bringing of
18 legal action against Carlos Barnes?

19 A. I don't know.

20 Q. Within this infamous previously
21 marked as Exhibit J document that we are waiting
22 to see whether we can authenticate --

23 A. Which is that?

24 MR. STRIP: The Harris to Boutin
25 letter of January the 18th of 1997.

1 THE WITNESS: Okay.

2 BY MR. GUARCH:

3 Q. Mr. Harris also makes mention of
4 an authorization as a result of the
5 extraordinary shareholders meeting for the
6 preparation and filing of criminal extortion
7 charges against Messrs. Baily, Sambrook?

8 A. Oh, the Carlos Barnes, the
9 preparation of criminal and civil action against
10 Carlos Barnes.

11 Q. And above it is the preparation of
12 filing of criminal extortion charges against
13 Messrs. Baily, Sambrook and Carlos Barnes.

14 It's just not something that you
15 would have personal knowledge of?

16 A. No.

17 Q. Ariel Corbetti?

18 A. He is indicted with Boutin for the
19 same charges.

20 (Discussion off the record.)

21 BY MR. GUARCH:

22 Q. So allegedly Mr. Corbetti was a
23 coconspirator with Mr. Boutin for his --

24 A. Allegedly, correct, yes.

25 Q. -- Misdeeds and he was an employee

1 of the Harris Organisation?

2 A. Erik Gonzalez was an employee of
3 the Harris Organisation. I don't think that
4 Corbetti was an employee, but I will gladly
5 check that for you.

6 Q. As an outsider then if he wasn't,
7 he was associated with --

8 A. With Boutin.

9 Q. With Boutin?

10 A. Yes.

11 Q. And he is a lawyer?

12 A. Boutin is a lawyer.

13 Q. Not Corbetti?

14 A. Corbetti is a lawyer.

15 Q. Also?

16 A. Yes.

17 MR. MARCHANT: Can I just clarify
18 something. He said that Boutin was --

19 MR. STRIP: Mr. Strip has been
20 testifying quite a bit, so I don't see why
21 you can't.

22 MR. MARCHANT: You just said that
23 Boutin was only paying him like three
24 dollars a day or --

25 THE WITNESS: Oh, no, no, no.

1 MR. MARCHANT: And he was going
2 around saying that he was getting a house
3 and everything. Was that in relation to
4 payment on behalf of The Harris
5 Organisation?

6 THE WITNESS: No, no, no, no, the
7 three dollars a day was a joke; okay?

8 MR. MARCHANT: Yes.

9 THE WITNESS: The fact is that he
10 started to tell some of the young folks in
11 the organization that he was getting a new
12 house and a new car. Well, that was being
13 part of this cosinspiracy to extort the
14 money.

15 MR. MARCHANT: This was socially
16 he was saying this?

17 THE WITNESS: Yes, socially saying
18 that, okay. Jay; go ahead.

19 BY MR. GUARCH:

20 Q. So your belief is that he was
21 garnering illicit profits as a result of Dr.
22 Boutin's --

23 A. He hadn't yet, but he was hoping
24 to become part of the take or the divi of the
25 pie.

1 Q. The presentation to the "fiscal"
2 with regard to Dr. Boutin included information
3 regarding Mr. Corbetti's involvement?

4 A. In the scheme?

5 Q. In the scheme?

6 A. Yes.

7 Q. I know we have certainly made
8 plenty of mention of Mr. Mitchell. I just want
9 to be sure that we are clear as to whether there
10 was -- Was he fired?

11 A. His contract was up and I think it
12 was a mutual agreement in that case where he
13 wanted to move on and do other things and -- a
14 mutual agreement that the contract wouldn't be
15 renewed. Fired would be a bad word in that
16 case.

17 Q. Friendly disassociation?

18 A. I think so.

19 Q. The decision to disassociate with
20 him would have been made by Mr. Harris?

21 A. I think he and Mr. Harris made it
22 jointly.

23 Q. Do you have a sense or an
24 impression of why in the near past there are
25 numerous senior officers that have disassociated

1 with the organization?

2 A. I think in some cases it is a case
3 of non-performance, poor performance, lots of
4 rhetoric and no performance. That is as I look
5 back to the names that we have covered. I would
6 say that would be the reasons for it; okay.

7 Q. Mr. Dilley has been sued, correct?

8 A. But it's for an outside -- It is,
9 you know --

10 MR. STRIP: The answer is yes or
11 no.

12 THE WITNESS: Yes, he has been
13 sued.

14 BY MR. GUARCH:

15 Q. Dr. Boutin has been indicted, he
16 was in-house counsel?

17 A. Uh-huh, criminally indicted.

18 Q. Criminally indicted?

19 A. Yes. This ain't no civil thing.

20 Q. Pardon me?

21 A. Not a civil thing. I mean,
22 criminal.

23 Q. Okay. Mr. Amos, was he criminally
24 indicted as well?

25 A. No. Oh, he is criminal indicted

1 here in the United States, Alabama Federal
2 Court.

3 Q. Although it never happened,
4 apparently Messrs. Sambrook and Baily were to
5 have been presented as potential indictees to
6 the "fiscalia," correct?

7 A. Never happened.

8 Q. But it would appear that there was
9 an intent to do that before matters were mended
10 in some way?

11 A. It appears from that letter.

12 Q. Within the current senior
13 management within the organization is anybody
14 licensed as a certified public accountant?

15 A. No.

16 Q. Was Mr. Harris at one point
17 licensed?

18 A. Oh, wait a minute, wait a
19 minute. We have as employees certified public
20 accountants in Panama. They are not called
21 certified public accountants.

22 MR. STRIP: His question was
23 senior management, that is why I was
24 uncomfortable.

25 THE WITNESS: Senior management,

1 no

2 BY MR. GUARCH:

3 Q. Senior management was no?

4 A. No.

5 Q. Within the ranks there may be some

6 Panamanian equivalent to CPAs, correct?

7 A. Yes.

8 Q. Correct?

9 A. Yes.

10 Q. Mr. Harris, is he licensed?

11 A. Presently, no.

12 Q. Was he?

13 A. At one time, yes.

14 Q. What happened?

15 A. The complaint is here somewhere.

16 We can read it. I don't remember exactly what

17 the, what the complaint was. I read it. We

18 have all read it.

19 Q. For purposes of the record --

20 MR. STRIP: We'll stipulate.

21 MR. GUARCH: We can stipulate

22 that --

23 MR. STRIP: He was suspended in

24 Florida, if that is what you want.

25 THE WITNESS: Right.

1 MR. GUARCH: Just so we are clear,
2 we can stipulate that the --

3 MR. STRIP: Absolutely.

4 MR. GUARCH: -- That the
5 documentation that was provided with regard
6 to --

7 MR. STRIP: Authentic, et cetera,
8 et cetera. It is what it is.

9 THE WITNESS: Yes, yes, that is
10 fine.

11 BY MR. GUARCH:

12 Q. Are you familiar with the term
13 offshore trash corporations?

14 A. No.

15 Q. Are you familiar with the term
16 offshore -- Let me rephrase that.

17 Are you familiar with the term
18 trash corporations without offshore as a
19 prefix? Because I know if I don't ask the right
20 question, you won't give me an answer?

21 A. Yes.

22 Q. What is a trash corporation?

23 A. A trash corporation is one that
24 you form, are going to use for a very short
25 period of time and then -- The word trash comes

1 from trash it, shut it down.

2 Q. And what would be the purposes for
3 it?

4 A. It would be usually for the, for
5 one particular real estate deal that is not
6 going to live after that. To sell a piece of
7 real estate or buy a piece of real estate and
8 then just used for one particular -- I am at a
9 loss for words -- transaction, one particular
10 transaction.

11 Q. How about the term black hole?

12 A. I am not familiar with black hole.

13 Q. Do you know whether there is any
14 literature that has been prepared by The Harris
15 Organisation with regard to the setting up of
16 these -- Well, you don't know what black hole
17 is, but trash corporations?

18 A. I am sure that some plans may have
19 and the black hole, I don't know what that is,
20 so -- but I am sure that some plans we have had
21 for -- we call them kind of like a nickname, you
22 know, instead of a one -- it is a disposable,
23 one time use. That is what it means.

24 Q. Let me not burden you with
25 questions. Let me just ask you to look at this

1 document and obviously the type of document that
2 is provided --

3 It is part of what the Harris
4 Organisation does in terms of structure, if you
5 will, and not tax evasion, but --

6 A. Yes, no, I -- we have seen it.

7 Q. Planning, avoidance?

8 A. Yes, we have seen it.

9 Q. Understood.

10 A. You want to mark it as Exhibit
11 M?

12 Q. You are way ahead of me.

13 A. I got it written down. I am not
14 going to be stupid again.

15 MR. GUARCH: What is L?

16 MR. STRIP: Mitchell to Boutin
17 memo.

18 (Discussion off the record.)

19 BY MR. GUARCH:

20 Q. Let's identify Exhibit M as an
21 internal Harris Organisation document under the
22 heading of the Harris Matrix Mass Customisation
23 Applied to the International Financial Service
24 Industry.

25 A. Harris matrix will do it, okay.

1 (Thereupon, the above-mentioned
2 document was marked as Defendant's Composite
3 Exhibit M for identification this date.)

4 BY MR. GUARCH:

5 Q. Tax advice in general terms, this
6 is something that The Harris Organisation as you
7 understand it provides?

8 A. Uh-huh.

9 Q. Bob Payne, do you know who he is?

10 A. Yes.

11 Q. Who is he?

12 A. He was a tax attorney that -- He
13 was an attorney specializing in tax that was an
14 employee or consultant to the Harris
15 Organisation.

16 He is one of the consultants for a
17 good long time. For I would say a minimum of
18 four years, close to four years.

19 Q. No longer a consultant?

20 A. Recently left.

21 Q. Why?

22 A. Physical problems; okay.

23 Q. Do you know whether he at anytime
24 prepared tax returns for the organization, the
25 organization's clients?

1 A. Organization?

2 Q. Any of The Harris Organisation

3 clients?

4 A. Oh, yes, sure.

5 Q. He would be -- Part of the

6 service.

7 A. Yes, it's part of the service that

8 we offer.

9 Q. Same with Baum Harris?

10 A. Baum Harris? Baum Harris, before

11 Bob Payne prepared some tax returns, but after

12 Bob Payne got here -- when I say got here, got

13 in the organization and there was probably six

14 months give or take, Bob Payne took over the tax

15 department and they were prepared in-house. Not

16 all by Bob Payne, by the way, but he was the.

17 Q. In the loop?

18 A. Director kind of dispatcher.

19 Q. With the understanding, the

20 qualification that I am not asking you to admit

21 that you agree to that characterization --

22 A. Okay.

23 Q. -- But The Harris Organisation

24 recommends or implements strategies that could

25 be defined as tax evasion in the United States,

1 correct?

2 A. But I don't have to admit that.

3 What was your question?

4 Q. I am saying, that it could be
5 defined and alleged to be tax evasion in the
6 United States? I recognize that you quarrel
7 with that term, but this is generally a subject
8 matter that is at issue here on these
9 structures, correct?

10 A. I can't agree with that.

11 MR. MARCHANT: Maybe I could help
12 here. You're confident that everything that
13 you do is in accordance with Panamanian law,
14 that is the law that you operate under. You
15 don't operate under U.S. law.

16 THE WITNESS: Yes, but we don't
17 operate to purposely put somebody in the
18 U.S. in a tax evasion situation. I mean, we
19 are confident that it is not tax evasion,
20 that we institute the structure and it is
21 pertaining to any income that came out of
22 the U.S. from an U.S. corporation, foreign
23 corporation, whichever. Because in some
24 cases they are all subject to taxes.

25 And I am not a tax expert. We do

1 have one, name is James Clement. Now
2 replaced Bob Payne.

3 BY MR. GUARCH:

4 Q. In the course of providing advice
5 to clients does the Harris Organization advise
6 its clients of civil and/or criminal penalties
7 associated with tax evasion?

8 A. Not being in the tax department I
9 can't testify to that. I would think that all
10 possible ramifications of whatever you are doing
11 are looked at and advised.

12 Q. So you would assume yes?

13 A. Yes.

14 Q. Is there any question in your mind
15 that the Harris Organization and/or Marc Harris
16 are public figures?

17 A. What would constitute a public
18 figure?

19 Q. Someone that holds themselves out
20 in the general stream of commerce?

21 A. Well, you know, I don't think that
22 Marc Harris is a public figure.

23 I mean, if -- I will give you my
24 example of that, okay. We go to your home town
25 of Columbus, Ohio, and I stop people on the

1 street and ask them -- I give them the name of
2 the mayor of Miami. How many people know him or
3 her? Who is it, is it a him or her?

4 Q. It is a him?

5 A. Oh, geez, you are a lucky state.
6 Okay, so, you know, Marc may be known in a very
7 small circle. Most people in Miami I assume
8 know who the mayor of Miami is, you excluded.

9 Q. Of course I know.

10 A. No, I understand that.

11 MR. MARCHANT: In the offshore
12 world we are talking about.

13 THE WITNESS: But we are talking
14 about a thimble. In the offshore world Marc
15 Harris may or may not be well known.

16 MR. MARCHANT: Well, all of the
17 companies are named after him, so would you
18 say his name -- You have testified that the
19 organization --

20 THE WITNESS: If all of my
21 children are named Larry Jr., that doesn't
22 make me a public figure. I mean --

23 BY MR. GUARCH:

24 Q. If I ask you to hypothetically
25 take it as a given that the mayor of Miami is a

1 public figure in the eyes of the law, would you
2 then acquiesce to the fact that Mark Harris is a
3 public figure?

4 A. Where would he be a public
5 figure?

6 Q. In the eyes of the law?

7 MR. STRIP: I'll object and let
8 him answer. I am just going to object for
9 the record because I think --

10 THE WITNESS: We are talking about
11 the mayor of Miami. Look at how many people
12 are in Miami.

13 I mean, that might make him a
14 public figure. Not that many people in the
15 world would even know Marc Harris.

16 BY MR. GUARCH:

17 Q. But in the offshore world he would
18 certainly be a public figure?

19 A. I can't testify to that.

20 Q. He is a speaker isn't he? He does
21 seminars in the -- In the world of offshore
22 finance he regularly does seminars, correct?

23 A. Yes, he regularly does seminars.

24 Q. Let me back up before I start into
25 this area.

1 I take it that we can't stipulate
2 that for purpose of this lawsuit that Mr. Harris
3 is a public figure?

4 MR. STRIP: No, we cannot.

5 MR. GUARCH: That is a no?

6 MR. STRIP: No.

7 MR. GUARCH: Or that the Harris
8 Organization is defined as a public figure
9 in the eyes of the law?

10 MR. STRIP: I think that is one of
11 the issues that someone is going to have to
12 determine, whether it is a judge or jury.

13 MR. GUARCH: Understood.

14 MR. STRIP: I don't think that we
15 can ever stipulate to that. I think it is
16 an ultimate issue to be determined.

17 MR. GUARCH: I just want to be
18 sure that it is a factual issue before we
19 deal with any of it --

20 MR. STRIP: Yes.

21 MR. GUARCH: Because we don't want
22 to --

23 MR. STRIP: Okay, yes.

24 BY MR. GUARCH:

25 Q. Can you estimate or do you know

1 how many seminars Mr. Harris has participated in
2 as a speaker?

3 A. In total?

4 Q. Yes?

5 A. I can't, I couldn't estimate that.

6 Q. More than one hundred?

7 A. Here we go. No.

8 Q. Since 1985?

9 A. Since 1985, no.

10 Q. More than fifty?

11 A. Probably.

12 Q. Probably between fifty and one
13 hundred?

14 A. Since 1985, yes, probably. And,
15 Jay, to be, to be honest and come out with you,
16 okay, it is part of the new plan to have him do
17 it more. It was not part of the plan. It has
18 not been part of the plan until now.

19 Q. In terms of time then when you say
20 the new plan, the new plan is from what point
21 forward?

22 A. The new plan is this year, okay.

23 Q. 1999?

24 A. From 1999 forward, okay.

25 Q. How many seminars has he done in

1 1999?

2 A. In 1999 he has done -- Well, in
3 1999 only one. I mean, but he was actually
4 slated to do two more here; one in Nassau and
5 one in Bermuda that -- In fact, the one in
6 Nassau got cancelled and the one in Bermuda he
7 cancelled out of.

8 Q. How about in 1998?

9 A. The end of '98 I think he did two
10 or three in the last quarter. So end of '98 and
11 beginning of '99 is the new plan.

12 Q. But prior to the end of 1998 he
13 did upwards of fifty seminars?

14 A. In total?

15 Q. In total?

16 A. Yes. But you have to realize that
17 some of them had fifteen people in them, you
18 know.

19 Q. What is the source of your
20 knowledge as to the amount or the number of
21 seminars that Mr. Harris has done?

22 A. Only my personal knowledge of him
23 and what he has done from the time that I have
24 been there.

25 And the time that I have been

1 there which is, I don't know, three years, three
2 to four years. Okay, three, three and a half
3 years. I can pretty much count on less than
4 both hands how much he has done that I know of.

5 Q. Okay, so if I take both hands and
6 make it ten, he has done at least forty prior to
7 the time that Mr. Marchant wrote this article,
8 correct?

9 A. Well, I think we agree that
10 somewhere --

11 Q. Are you familiar with Shorex '97?

12 A. Yes, I am.

13 Q. We can then authenticate this as
14 being at least part of --

15 MR. STRIP: Do you know if he was
16 there?

17 MR. GUARCH: Well, he is --

18 MR. STRIP: Was he a speaker?

19 BY MR. GUARCH:

20 Q. He was a speaker identified
21 there. I assume that he was there?

22 A. I don't think that he was a
23 speaker in Shorex. By David's own article, I
24 think that he --

25 MR. MARCHANT: He was invited to

1 speak and he ended up paying for his own
2 seminar to run in conjunction with Shorex
3 because they disinvited him.

4 THE WITNESS: Is that -- Are we
5 marking that?

6 BY MR. GUARCH:

7 Q. We'll I would like --

8 MR. STRIP: We can stipulate to
9 some of that.

10 MR. GUARCH: We can stipulate that
11 this --

12 MR. STRIP: That he attended the
13 Shorex conference and while there gave a
14 seminar to the -- not to the entire
15 audience.

16 THE WITNESS: No.

17 MR. STRIP: A private seminar, if
18 you want to call it that.

19 THE WITNESS: I think David
20 attended. How many people were there?

21 MR. MARCHANT: Well, he was
22 invited to speak, but they rejected his
23 speech and so he went there and he paid for
24 his own seminar to run in conjunction with
25 Shorex.

1 MR. STRIP: That is correct.

2 BY MR. GUARCH:

3 Q. Is that correct, Mr. Gandolfi?

4 A. Yes, to the best of my knowledge
5 that is correct.

6 Q. Do you know why he was disinvented
7 to speak?

8 A. No, he wasn't disinvented. The
9 speech was, the subject matter of the speech
10 wasn't, didn't coordinate with the program which
11 they wanted him to speak at or of. The subject
12 matter that they wanted him to speak of.

13 Q. Well he is listed in here as a
14 speaker, is that correct?

15 A. I didn't go through it to see, but
16 he is listed in there. I will take your word
17 for it. He did not end up being a speaker in
18 Shorex.

19 MR. MARCHANT: What was he due to
20 speak on?

21 THE WITNESS: I don't remember,
22 don't know.

23 MR. MARCHANT: So how do you know
24 that his speech didn't fit in with the
25 agenda?

1 THE WITNESS: Okay, because that
2 is what he told me, and that is what I had
3 heard from actually Don Mitchell who was
4 there with him.

5 MR. MARCHANT: Is it your
6 testimony that Don Mitchell attended the
7 Shorex '97 conference?

8 THE WITNESS: Uh-huh.

9 THE WITNESS: I take that back, it
10 wasn't Don Mitchell who attended. It was
11 Alan McAloon who attended.

12 BY MR. GUARCH:

13 Q. Okay, as I see this document --
14 We'll go ahead and mark the document as
15 Exhibit --

16 A. Exhibit N, yes.

17 MR. STRIP: Shorex program?

18 THE WITNESS: Yes, the Shorex
19 program.

20 (Thereupon, the above-mentioned
21 documents were marked as Defendant's Composite
22 Exhibit N for identification this date.)

23 BY MR. GUARCH:

24 Q. I note that the afternoon of
25 December 4th of 1997 Mr. Harris was scheduled to

1 speak on the topic of offshore services for
2 South American clients; is that correct?

3 A. If you just read it, yes, that is
4 correct.

5 Q. And then sometime between the
6 printing of this promotional literature and the
7 fact that it actually acknowledges the -- strike
8 that, excuse me, and the expo actually
9 occurring, Mr. Harris was removed as a speaker?

10 A. That is my understanding.

11 Q. And you also understand that he
12 then had a, he had a personal seminar of sorts
13 that he gave?

14 A. A private room or something, yes.

15 Q. Would you agree with me that Mr.
16 Harris' seminar is on behalf of the Harris
17 Organization? I think you have already done
18 that.

19 A. We have done that, yes.

20 Q. Okay. Does the Harris
21 Organization put out a newsletter?

22 A. Yes, it does.

23 Q. What is its distribution?

24 A. Oh, I don't know the exact
25 number. I can get you the exact number, but for

1 the purposes of answering here I would put it at
2 one thousand.

3 MR. MARCHANT: Everyday?

4 THE WITNESS: Is that --

5 MR. MARCHANT: The editorial.

6 THE WITNESS: That is not the
7 newsletter. The newsletter is twice a
8 month.

9 BY MR. GUARCH:

10 Q. The newsletter is twice a month.
11 The next question Mr. Marchant is helping me
12 with, are there other publications or means of
13 communication that are --

14 A. We have a daily editorial that
15 goes out.

16 Q. A daily editorial that goes out in
17 what format?

18 A. E-mail.

19 Q. And its distribution?

20 A. Two thousand.

21 Q. Are prospectuses of mutual funds
22 and other investments provided?

23 A. In the daily editorial.

24 Q. No, sir, by the organization?

25 A. Yes.

1 Q. Anyone that would solicit
2 information would be provided with a prospectus?

3 A. No, no, no.

4 Q. Explain that to me?

5 A. A brochure would go out. Anyone
6 soliciting information, a brochure, not a
7 prospectus.

8 Q. What means of advertising did the
9 organization employ?

10 A. At this time?

11 Q. Let's go at this time?

12 A. Well, yes, it is basically the
13 same, anyway, Internet would be the major source
14 of advertising.

15 Q. Web pages such as --

16 A. Yes, exactly.

17 Q. As we have previously identified
18 here?

19 A. Yes.

20 Q. Other than Internet?

21 A. We don't do any other advertising
22 now, that I know of. We have gone completely
23 Internet.

24 Q. A year ago did it differ?

25 A. A year ago we did some display ads

1 which literally produced zero.

2 Q. Where were the display ads
3 circulated?

4 A. International Living, the Offshore
5 Report, various things with -- I mean, nothing
6 like the Wall Street Journal or the U.S.A. Today
7 or anything of that nature. Low circulation
8 publications.

9 Q. International Living?

10 A. Specialized. You know, wherever
11 we think that we would place it, wherever we
12 would place it, wherever we would feel that
13 maybe someone who was, might be interested in
14 offshore.

15 Q. Are you familiar with Mr. Harris
16 being provided with the key to the City of Miami
17 Beach?

18 A. Only, only since we have met Mr.
19 Marchant.

20 Q. Do you know this to be a fact?

21 A. Yes, it is a fact.

22 Q. Do you know how that occurred?

23 A. No, I don't. It was South Beach.
24 The mayor of South Beach, I don't remember the
25 man's name. I have seen the key. Other people

1 have seen the key.

2 Q. Where is the key?

3 A. Hanging on Mr. Harris' wall right
4 now.

5 Q. He is proud of having been given
6 the key to the city of Miami Beach, I take it?

7 A. Okay.

8 Q. Is that a yes?

9 A. Yes.

10 Q. Back to do you know what
11 circumstances led or why he was given the key to
12 the City of Miami Beach?

13 A. No, I don't.

14 Q. Any other types of advertising
15 other than those that you have mentioned?

16 A. No, not that I can think of, no.

17 Q. Any audio interviews?

18 A. He did a radio interview with the
19 Jeff Rense Show.

20 MR. MARCHANT: R-E-N-S-E.

21 THE WITNESS: R-E-N-S-E-, yes,
22 thank you.

23 BY MR. GUARCH:

24 Q. Who is Jeff Rense?

25 A. A west coast based, I believe,

1 late night radio show.

2 Q. West coast of the United States?

3 A. Yes, uh-huh. Did a live telephone
4 interview.

5 Q. When was this?

6 A. I am going to say five months ago,
7 four months ago, four or five months ago.

8 Q. I have to note your smirking or --

9 A. This is another one that we have
10 to tell. Off the record. We have to tell it.

11 (Discussion off the record.)

12 MR. GUARCH: David, so we can move
13 along, get these things marked and move
14 along, these are obviously web pages that
15 obviously say what they say and we don't
16 need to deal too much --

17 MR. STRIP: The Harris web pages
18 we can probably stipulate.

19 MR. GUARCH: See if you can
20 identify them and let's look at them. I
21 mean, they are the same as what we did, but
22 they are different. Hold this together
23 with that.

24 MR. STRIP: We were on the Rense
25 radio show.

1 THE WITNESS: This is off the
2 record.
3 MR. STRIP: This is only thirty
4 seconds.
5 THE WITNESS: Yes, thirty seconds.
6 .
7 MR. STRIP: I know the story, so
8 --
9 (Discussion off the record.)
10 BY MR. GUARCH:
11 Q. Let's go ahead and mark as
12 Exhibit O what I know is another portion of the
13 web pages?
14 MR. STRIP: Yes, a web page. You
15 want to have the series and mark it as O?
16 MR. GUARCH: That is what I
17 thought we would do.
18 THE WITNESS: Please, please.
19 MR. STRIP: Accumulate them and we
20 can look at them later.
21 BY MR. GUARCH:
22 Q. One of the problems, and one of
23 the reasons why I am struggling a little bit
24 here, gentlemen, is because I am trying to keep
25 this in some semblance of the same order that we

1 provided all of these documents to you so that
2 later on Mr. Strip and I or more than likely Mr.
3 Lighheart and Mr. Renaud do not go absolutely
4 crazy trying to do it.

5 So I apologize for some of the
6 cumbersome way of doing it, but, I mean, I have
7 given you guys all of this.

8 A. You don't need to apologize. We
9 need to apologize.

10 MR. STRIP: Yes, we have done that
11 already.

12 BY MR. GUARCH:

13 Q. It's just that -- Let's go off the
14 record a second.

15 (Discussion off the record.)

16 BY MR. GUARCH:

17 Q. You are familiar with Mr. Harris
18 having been featured in a publication known as
19 Portfolio International?

20 A. I am not.

21 Q. You are not --

22 A. Not familiar with it.

23 Q. Not familiar with it. You don't
24 have knowledge that it happened?

25 A. No, I have no knowledge that it

1 happened.

2 Q. Obviously, Mr. Harris would know
3 whether or not he was featured in the edition of
4 Portfolio International.

5 Within the web page document that
6 we marked as Exhibit O under professional
7 recognition it notes that there has been an
8 inclusion in the international edition of
9 Marquis' Who's Who In The World of Mr. Harris.

10 A. Have you ever been in Who's Who?

11 Q. No.

12 A. I have. It is -- but anyway, fine.

13 Q. Mr. Harris is holding himself out
14 in the stream of commerce as having been
15 featured -- I mean, you may find it to be
16 useless. Somebody in the Harris Organization
17 felt it was important to point out that Mr.
18 Harris is --

19 A. Fine, fine, I can concede that.

20 Q. -- Included in one of Who's Who In
21 The World?

22 A. We agree.

23 Q. No bearing on his being a public
24 figure, though?

25 A. I was in there. Am I a public

1 figure?

2 Q. I don't know. This isn't about
3 you?

4 MR. MARCHANT: It is not called
5 the Gandolfi Organization, is it?

6 MR. STRIP: We'll talk about it
7 later.

8 THE WITNESS: No problem.

9 MR. STRIP: Great marketing.

10 THE WITNESS: It's all about
11 getting in there if you buy the book.

12 MR. STRIP: You got it.

13 BY MR. GUARCH:

14 Q. But it's all about how you hold
15 yourself out to the world, isn't it?

16 MR. STRIP: Yes.

17 THE WITNESS: Yes, great marketing

18 BY MR. GUARCH:

19 Q. And Mr. Harris notably on behalf
20 of the Harris Organization has held himself out
21 to the world as being included in Who's Who In
22 The World?

23 A. Great marketing.

24 MR. STRIP: But the answer is?

25 BY MR. GUARCH:

1 Q. It's great marketing.

2 A. Great marketing, but anybody who
3 wants to be in Who's Who is in there.

4 MR. STRIP: The answer is yes?

5 THE WITNESS: Yes.

6 BY MR. GUARCH:

7 Q. I am not going to press you on
8 this any more, Mr. Gandolfi --

9 A. Thank you very much.

10 Q. -- Because I really, I recognize
11 that you cannot admit and Mr. Strip cannot
12 stipulate that Mr. Harris is a public figure and
13 I really don't think we need to deal with the
14 issue any more.

15 I can appreciate the situation. I
16 say this genuinely, I know you can't say yes.
17 We have what we have and Mr. Strip has pointed
18 out that the court or someone will ultimately
19 have to determine that, so let's move on.

20 We do, however -- You can
21 appreciate, however, that with you not admitting
22 it and Mr. Strip not stipulating to it, I can't
23 go away from the issues that relate to this.

24 A. Yes, we all understand everything
25 here.

1 MR. STRIP: Yes.

2 THE WITNESS: But Who's Who is
3 exactly that. I mean, it is so funny, it's
4 just --

5 MR. MARCHANT: I figured that.
6 But if I reported that you would have
7 probably added it to the libel.

8 (Discussion off the record.)

9 BY MR. GUARCH:

10 Q. All right, we probably can go away
11 from some of the more general promotional
12 issues.

13 Are you familiar with the book
14 called the Invisible Investor?

15 A. Yes, I am.

16 Q. Do you know what role the Harris
17 Organization had, and I include Mr. Harris when
18 I obviously make the statement Harris
19 Organization, in the preparation and publication
20 of the book?

21 A. We printed it. I don't think that
22 we had anything to do with the preparation of
23 the book. We had it printed.

24 Q. Published it?

25 A. Published it, yes, right.

1 Q. I happen to have a copy of that
2 book?

3 MR. STRIP: Just so happens.

4 BY MR. GUARCH:

5 Q. Just so happens that I have a copy
6 of that book, which I found rather interesting
7 by the way?

8 A. Did you read it?

9 Q. I have perused it. Is the P.T.
10 Publishing, Inc., is that an entity associated
11 with the Harris Organization in any way?

12 A. No, not to my knowledge, no.

13 Q. Is the address P.O. Box 6-1097 El
14 Dorado, Panama City, Panama --

15 A. That sounds like it would be one
16 of our addresses, yes.

17 Q. So if the P.T. Publishing, Inc.
18 entity has that as an address as published in
19 the Invisible Investor --

20 A. It -- no contest, okay. No
21 contest. I mean, whatever you were going to
22 say, I agree to it.

23 It is, it probably then appears to
24 be like something we put there.

25 Q. Okay.

1 A. And, you know --

2 Q. So as publisher of the book it
3 says P.T. Publishing, Inc. with your address.
4 P.T. Publishing, Inc. Then we can reasonably
5 conclude is associated with the organization?

6 A. It appears to be, yes.

7 MR. STRIP: P.T. are initials of
8 the author, isn't it?

9 BY MR. GUARCH:

10 Q. Peter Trevellian?

11 A. So we may just be letting him use
12 the address. I don't know.

13 Q. Is this a book that is promoted by
14 the Harris Organization?

15 A. Yes, it is.

16 Q. Have you read the book?

17 A. Now I have to tell the truth. No.

18 Q. It would be a good idea if you
19 didn't lie because in a perverse sort of way I
20 think we all like each other and I hate perjury
21 to be part of this civil lawsuit, so please tell
22 the truth.

23 A. No, I have not read the book.

24 MR. STRIP: Now he is in trouble
25 back home.

1 THE WITNESS: Yes, that is okay
2 because, no, I have not read the book
3 BY MR. GUARCH:
4 Q. Through your knowledge of the book
5 -- obviously you consider it to be a serious
6 piece of work published by the Harris
7 Organization?
8 A. Having not read it I really can't
9 comment on that. I really can't comment.
10 Q. Do you know whether Mr. Harris
11 personally authored any of this book?
12 A. To the best of my knowledge he did
13 not.
14 Q. Do you know whether this is the
15 only copy of the book? Has it been revised?
16 MR. MARCHANT: Only edition.
17 BY MR. GUARCH:
18 Q. I am sorry, only edition,
19 obviously not the only copy of the book?
20 A. Congratulations.
21 Q. This is it, we got it.
22 MR. STRIP: Collector's item.
23 BY MR. GUARCH:
24 Q. The only edition of the book?
25 A. I can't testify to that. I don't

1 know that.

2 Q. Do you have any idea of its
3 distribution in terms of how many copies have
4 been --

5 A. Not large, no.

6 Q. What is not large?

7 A. Couple hundred. Well, we could
8 take it up to one thousand would be way outside
9 of the scale in my mind.

10 MR. GUARCH: Did we mark this?
11 This is just another one of these web page
12 things.

13 MR. STRIP: If it is a web page, I
14 have no problem in making it a part of
15 this.

16 MR. MARCHANT: It is not a web
17 page. It is one of the daily editorials.

18 MR. GUARCH: Well, we can
19 legitimize or authenticate this as one of the --
20 You don't need --

21 MR. MARCHANT: Well, yes.

22 MR. GUARCH: I mean, it is what it
23 is.

24 MR. MARCHANT: I mean, just -- I
25 know people who subscribe to it.

1 MR. STRIP: Is it one of ours?
2 THE WITNESS: What is the
3 question?
4 BY MR. GUARCH:
5 Q. Well, --
6 MR. STRIP: Does it appears to be
7 one of ours maybe?
8 THE WITNESS: Yes, it appears to
9 be a daily editorial. Are you talking about
10 the top one or the whole nine yards?
11 MR. STRIP: He says that it
12 appears to be.
13 MR. GUARCH: Can we stipulate that
14 it is one of the daily newsletter?
15 MR. STRIP: Read it.
16 BY MR. GUARCH:
17 Q. Take your time.
18 A. Daily editorial, not a
19 newsletter.
20 Q. Okay.
21 MR. STRIP: Do you have any reason
22 to doubt that it is one of our daily
23 editorials?
24 THE WITNESS: No, no.
25 MR. STRIP: We'll stipulate that

1 it is one of our daily editorials; okay?

2 MR. GUARCH: Sure. Let's mark it
3 as Exhibit P.

4 (Thereupon, the above-mentioned
5 document was marked as Plaintiff's Composite
6 Exhibit P for identification this date.)

7 THE WITNESS: Jay, we probably
8 don't have copies of some of that stuff or
9 do we?

10 BY MR. GUARCH:

11 Q. You do, you have it all. Every
12 single document that we have, that we have
13 here --

14 MR. STRIP: We have, yes.

15 BY MR. GUARCH:

16 Q. We have produced to you indexed.

17 MR. STRIP: I recognize it. We
18 went over half of it so far.

19 BY MR. GUARCH:

20 Q. Right. I guess, Mr. Gandolfi, and
21 again I don't -- You haven't read this book --

22 A. No.

23 Q. By your own statement and I don't
24 mean to pressure in areas that you don't know.
25 I certainly recognize that -- Well, I don't

1 recognize anything. Let me strike that. That
2 is a statement.

3 MR. STRIP: Stipulate to that.

4 BY MR. GUARCH:

5 Q. In this particular daily editorial
6 the Invisible Investor is touted as, "this new
7 international best seller is now available to
8 educate you the public on how to protect your
9 asset from arbitrary confiscation by anyone."

10 Obviously, the organization is
11 holding this document out as something other
12 than very limited and not a serious literary
13 work, is that a fair assumption?

14 A. I was writing. Would you say that
15 again. It's holding it out as -- I heard what
16 you said, but --

17 Q. I mean, it's -- obviously the
18 organization, the Harris Organization through
19 this daily editorial is holding this document,
20 this book, The Invisible Investor, out as a
21 serious piece of literary work, something other
22 than --

23 A. Oh, yes, I agree. I agree. I
24 have no problem with that.

25 Q. In fact, they are holding it out

1 as an international best seller?

2 A. Yeah, well, yeah, I would think
3 that would be artistic liberty or marketing or
4 whatever; okay?

5 Q. Other than promotion through the
6 daily editorial do you know what other
7 procedures are followed for the marketing of
8 this book?

9 A. I am not sure, but it might be on
10 hour home page.

11 Q. Do you know who wrote the book?

12 A. Peter Trevellian.

13 Q. Do you know if Peter Trevellian is
14 actually --

15 A. If that is not his real name or,
16 then I don't know what it is.

17 Q. You don't know?

18 A. No.

19 Q. You don't know him personally?

20 A. No.

21 Q. You don't know of him personally?

22 A. No.

23 Q. Do you know who W. G. Hill is?

24 A. I do not. You know, as I read
25 through these forums in the Internet and I meet

1 Mickey Mouse and I meet whoever, it is -- it's a
2 little bit much for a guy 58 years old to try
3 and figure it all out.

4 Q. Let me ask you to look at page 87
5 and read --

6 A. He is going to make me read it.

7 Q. -- Under the heading of "Judgement
8 Proofing," I believe it says (As In Divorce)?

9 A. Yes.

10 Q. A portion there reads loosely, "My
11 assets having been sent on ahead, I departed the
12 jurisdiction before being served with process."

13 A. Uh-huh. Yes.

14 Q. Is it fair that this advocates the
15 hiding of assets from one's wife so that in the
16 event of a divorce nothing will --

17 A. This author does, yes, I would say
18 that.

19 Q. And this is something that is
20 advocated by --

21 A. He is relating an experience that
22 he himself personally had or appears to be.

23 Q. Generally something that is
24 advocated by the Harris Organization, would you
25 say?

1 A. I testified yesterday that in all
2 of my time there I know of not one divorce
3 related situation, not one.

4 Q. Would you not find a parallel
5 between that and the Harris Matrix, isn't that
6 the same context?

7 A. I wouldn't testify to that.

8 Q. I wouldn't expect you to. I am
9 asking you for your opinion, not a legal
10 conclusion, but would you consider it to be
11 legal under U.S. law for someone to hide their
12 assets once divorce proceedings were underway?

13 A. If there was a rule or nisi I
14 would say no. A rule of nisi, I would say no.

15 Q. What is that?

16 MR. MARCHANT: N-I-S-I.

17 THE WITNESS: Yes, that says that
18 the only thing that you can do with assets
19 is conduct the normal course of business.
20 Now if your business was forever
21 speculating, then you would be conducting
22 normal business and it would be legal. But
23 if there is not a rule of nisi or depending
24 the state that you are in I can't answer
25 that. I can't answer it. I didn't.

1 BY MR. GUARCH:

2 Q. This is not a personal question.
3 Do you know why the author of this book uses
4 business addresses that are related to the
5 Harris Organization?

6 A. I do not.

7 Q. Do you have an opinion on what the
8 inside cover of this book means when it says,
9 "Get your money out of the country before your
10 country gets the money out of you"?

11 A. I do not.

12 Q. As a matter of fact, the cover
13 says, "How to take your money out of the country
14 before your country takes the money out of
15 you."

16 A. I don't know.

17 Q. Do you recognize the phone number
18 (507) 263-6964?

19 A. Is that a fax number or a phone
20 number?

21 Q. A fax number?

22 A. That is the fax number of Marc M.
23 Harris.

24 Q. Take it as a given from me and you
25 can challenge me on it, but chapter twelve the

1 first sentence reads, "The United States tries
2 to keep its citizens on a short leash by
3 threatening not to renew the passports of those
4 who have not filed tax returns."

5 Do you know of an example where
6 that has happened?

7 A. No.

8 MR. STRIP: I don't even think
9 that is a true statement.

10 THE WITNESS: Uh?

11 MR. STRIP: I don't think that is
12 a true statement.

13 THE WITNESS: No, it's not a true
14 statement. It is an impossible statement,
15 actually.

16 BY MR. GUARCH:

17 Q. Libelous?

18 MR. STRIP: To whom?

19 MR. GUARCH: Don't know.

20 MR. STRIP: Uncle Sam?

21 THE WITNESS: Yes, to Uncle Sam.

22 I don't think that is a true statement.

23 However, that would be a legal conclusion

24 and I can't do that.

25 BY MR. GUARCH:

1 Q. Goes on to read, "But with the
2 \$70,000 exemption of earned income and no way to
3 check on what is really being earned abroad, it
4 is possible to file income taxes, earn under
5 \$70,000, pay no taxes and remain in good
6 standing."

7 A. I believe that is a true
8 statement.

9 Q. Does that mean that the U.S. has
10 no way of checking on what is really --

11 A. No, no, you can earn \$70,000 and
12 file your taxes provided it's not a passive
13 income, provided it is income from work and stay
14 in perfectly good standing.

15 MR. STRIP: From work performed
16 out of the country.

17 THE WITNESS: Performed out of the
18 country; corporation.

19 BY MR. GUARCH:

20 Q. "But with a \$70,000 exemption of
21 earned income and no way to check on what is
22 really being earned abroad, it is possible to
23 file income tax returns earned under \$70,000,
24 pay no taxes."

25 A. There is a paradox there. I mean,

1 it says earn under 70 thousand dollars, and the
2 other thing -- Jay, where are we going here?
3 You know, it says two things at the same time.

4 The statement, the basic statement
5 is correct. You can earned 70 thousand dollars
6 or less provided that you work for it, not as
7 passive income, and file your income tax return
8 and not be libel for any taxes and be in
9 perfectly good shape.

10 The other statement is --

11 Q. Okay, we are having a discussion
12 as to the merits of this book and your support
13 of statements being made and their veracity.

14 Page 144 the book has a heading,
15 "Learn to lie." It says, "Moral of the story:
16 Learn to lie when necessary. A visa can and
17 will normally be denied to anyone who admits
18 being arrested for any reason." It would be
19 simpler if my friend had just lied on the visa
20 application.

21 A. What countries are they talking
22 about?

23 MR. STRIP: Let me just for the
24 record object to this entire line of
25 questioning as calling for --

1 BY MR. GUARCH:

2 Q. Well, I am trying to -- I
3 appreciate that and I am going to respond to
4 that one.

5 MR. STRIP: I am not stopping him
6 from answering.

7 MR. GUARCH: I will respond to
8 that objection.

9 MR. STRIP: You don't need to. I
10 will let him answer anyway.

11 THE WITNESS: I know I don't, but
12 I will let him answer.

13 MR. STRIP: Sure.

14 MR. GUARCH: But this is a book
15 that is published by the Harris
16 Organization.

17 MR. STRIP: Uh-huh.

18 MR. GUARCH: I am exploring
19 certain statements, contents in it, and Mr.
20 Marchant this been sued for some thirty
21 million dollars for libel.

22 MR. STRIP: Uh-huh.

23 MR. GUARCH: And to the extent
24 that Mr. Marchant would rely upon books that
25 are published by the Harris Organization,

1 chapters written by Mr. Harris in this
2 book --

3 MR. STRIP: Uh-huh.

4 THE WITNESS: No chapters.

5 MR. GUARCH: Which I recognize Mr.
6 Gandolfi has not admitted to, then quite
7 clearly in my humble opinion this goes
8 directly to the heart of what we are here
9 doing.

10 THE WITNESS: Mr. Harris had
11 nothing to do with the writing of that
12 book. I would guarantee you that.

13 BY MR. GUARCH:

14 Q. Okay, I am going to refer to you
15 chapter 15. It says, "The Kiss of Life for
16 Corporations." It says, "by Marc Harris, CEO,
17 La Firma de Marc M. Harris, Republic of
18 Panama."

19 A. Uh-huh.

20 Q. And I know that you know that it
21 says it, or maybe you don't, but let me ask you
22 to at least acknowledge that that is what it
23 says and I am not hallucinating.

24 A. News to me.

25 Q. Okay.

1 MR. STRIP: You want to change an
2 answer?

3 THE WITNESS: Yes, according to
4 chapter 15 of the book it says it's written
5 by Marc Harris, CEO, of La Firma de Marc M.
6 Harris.

7 BY MR. GUARCH:

8 Q. I am not going to ask you what the
9 Harris Organization advocates anymore because,
10 Mr. Gandolfi, I understand that you can only
11 speak to whatever you have personal knowledge
12 and if you don't have personal knowledge of Mr.
13 Harris having written here, then you don't.

14 Just as an aside, chapter 12's
15 title is "Chew Off Your Leash." First sentence
16 reads, "The United States tries to keep its
17 citizens on a short leash." I made mention of
18 that, but --

19 Just bear with me. I want to show
20 you something else so you have it for purposes
21 of your evaluation.

22 MR. STRIP: Make a note to read
23 chapter 15 and send me a copy, seriously.

24 THE WITNESS: Uh-huh.

25 BY MR. GUARCH:

1 Q. I would read it all. Where is the
2 other one?

3 Let's move on while we find
4 something. Do you know what APOT is?

5 A. APOP you mean?

6 Q. I have it as APOT.

7 A. No.

8 Q. Within the scope of advice that
9 the Harris Organization provides are you
10 familiar with advice concerning having two
11 passports?

12 A. Advice to have two passports?

13 Q. Yes?

14 A. No.

15 Q. So to your knowledge the Harris
16 Organization does not advocate having two
17 passports?

18 A. No.

19 Q. But that may also --

20 A. We offer second passport programs.

21 Q. What is a second passport program?

22 A. Where you could eventually get a
23 second passport. The U. S. Government says that
24 you can have two passports or multi passports.

25 Q. Why would you want to have two

1 passports?

2 A. I don't know. Some people like
3 two passports. If you expat, expatriate, if you
4 move out of the country.

5 I considered at one time -- In
6 fact, I am eligible to get a Costa Rican
7 passport. I decided that it wouldn't do me any
8 good or any harm, but at one time I thought I
9 wanted one because I was living in Costa Rica.

10 Q. Mr. Marchant would like to know
11 whether you have ever provided second passports
12 to either known or alleged criminals, to your
13 knowledge?

14 A. No.

15 Q. Do you believe that the firm of
16 Marc M. Harris is the world's largest
17 independent financial service provider?

18 A. I can't testify to that.

19 Q. Do you think if they were it would
20 change your opinion on public figures?

21 A. I am certain that they are not.

22 Q. So then --

23 A. I mean, you have to define the
24 word independent. Independent of what?

25 Q. Well, I quote, "My company, the

1 firm of Marc M. Harris is the world's largest
2 independent financial service provider. We are
3 also an offshore discount stockbroker with a
4 large group of audited and internationally
5 registered in-house investment funds."

6 That is a quote from the book. I
7 am just wondering whether it would change your
8 opinion as you sit here as a corporate
9 representative of the Harris Organization which
10 encompasses the firm of Marc M. Harris as to
11 whether this public figure issue might be
12 altered somehow?

13 A. No, it would not.

14 Q. Still they are not under the
15 public figure umbrella?

16 A. No.

17 (Discussion off the record.)

18 BY MR. GUARCH:

19 Q. Okay, let's move on. I can't fail
20 to ask you whether you have any concept of why a
21 book that is published by the Harris
22 Organization that contains articles -- excuse
23 me, chapters written by Mr. Harris would in one,
24 two, three, four, five, six, seven, eight, nine,
25 ten, twelve instances make reference to pages

1 that are beyond the total pages in the book,
2 when we call into question the credibility of
3 writings?

4 A. Would you say that again.

5 Q. The index makes reference to pages
6 406, 427, 428, 439, 441, 443, and six different
7 other instances. The book has a total of 380
8 pages.

9 MR. STRIP: That is good.

10 THE WITNESS: Makes how many
11 references did you say?

12 MR. STRIP: Plenty of them.

13 BY MR. GUARCH:

14 Q. Eleven references to four hundred
15 plus pages in a book that only has 380 pages?

16 MR. MARCHANT: And not one single
17 word or phrase in the index matches up with
18 the page numbers. None of the ones that I
19 checked, anyway.

20 MR. STRIP: So you understand what
21 he is saying, you want to look at this page
22 477.

23 THE WITNESS: I don't want to look
24 at it, A.C., trust me.

25 MR. MARCHANT: Won't take you long

1 to read it, by the way.

2 MR. STRIP: It's poor work.

3 THE WITNESS: And you know what,
4 you asked me if it has ever been reprinted
5 or edited or whatever and I don't know if
6 that is so. I have no way of knowing, okay.

7 MR. MARCHANT: That is a
8 current --

9 BY MR. GUARCH:

10 Q. Does the Harris Organization
11 engage the services of any entities or groups to
12 promote its products and services?

13 A. Promote its products and
14 services? We have spoken about Arnold Goldstein
15 who has bought product from us. Would you
16 consider that being one of them?

17 Q. Well, for example, are you
18 familiar with an entity known as P.T. Shamrock?

19 A. I know P.T. Shamrock.

20 Q. What is P.T. Shamrock?

21 A. That is -- He is another one of
22 these people that writes books and has a home
23 page.

24 Q. Do you know who owns P.T. Shamrock
25 or is that that an individual?

1 A. To the best of my knowledge it is
2 an individual.

3 Q. Do you know where his offices are
4 located?

5 A. England I believe or Switzerland.

6 Q. Is there a business relationship
7 between the Harris Organization and P.T.
8 Shamrock?

9 A. No, he, he -- He is kind of like
10 Arnold Goldstein, sells our products or uses our
11 products. He does his own thing and uses our
12 products.

13 Q. So he in effect is a client of the
14 Harris Organization?

15 A. Okay, I will go that far.

16 Q. Does he provide any services?

17 A. Not to my knowledge, no.

18 Q. Do you know anything about P.T.
19 Shamrock's entity?

20 A. His entity.

21 Q. Is it a credible organization?

22 A. I don't know.

23 MR. MARCHANT: Is it a corporation
24 or just an individual?

25 THE WITNESS: I don't know that

1 either, David.

2 BY MR. GUARCH:

3 Q. Do you know whether the
4 organization provides any phone lines, fax
5 lines, E-mail addresses to assist P.T. Shamrock?

6 A. Not to my knowledge. P.T. is --
7 my knowledge of P.T. is fairly computer literate
8 himself.

9 MR. MARCHANT: Do you know if that
10 is his real name, P.T. Shamrock?

11 THE WITNESS: I do not know.

12 BY MR. GUARCH:

13 Q. How about Expat World?

14 A. Okay.

15 Q. Do you know what that is?

16 A. Yes, a newsletter.

17 Q. Does Expat means expatriot?

18 A. I don't know that.

19 Q. It is a newsletter that is run by
20 the Harris Organization?

21 A. No, no.

22 Q. Independent. Do you know who runs
23 that or --

24 A. Gene Wasowski (phonetic).

25 Q. Who is Gene Wasowski?

1 A. I don't know. I mean, what is a
2 Gene Wasowski, who is Gene Wasowski? He is the
3 man who writes or owns Expat World.

4 Q. Is he an individual?

5 A. Yes, an individual.

6 Q. Do you know where his offices are?

7 A. Singapore.

8 Q. And do you know what the subject
9 matter of that newsletter is?

10 A. Basic expat interest. He deals in
11 -- You know, we talk about how people do things
12 in marketing. You can buy an international
13 driver's license from him for maybe 35 dollars
14 or you can get one for a buck and a half
15 somewhere, but people buy them. You know, I
16 have read his newsletter. It has some
17 interesting quips in it, interesting facts. Has
18 some stuff that would never interest me, but,
19 you know, again who knows who is interested in
20 that, okay.

21 Q. Fair to say that he is marketing
22 some illegal products?

23 A. I don't know that.

24 MR. MARCHANT: Does he introduce
25 business to the Harris Organization?

1 THE WITNESS: Bad choice of words,
2 but he touts our organization in the, in his
3 newsletter. He likes us.

4 BY MR. GUARCH:

5 Q. Okay.

6 A. I know him personally, Jay, just
7 to go ahead and come out with you. I know him
8 personally and he is a pretty nice guy.

9 When you say illegal products, I
10 see him tout things that call -- what the heck
11 is it, personal safety passports. He says they
12 are phony, but they will fool whoever you might
13 be afraid of.

14 I mean, you know, who has any
15 interest in that. I don't know, but obviously
16 somebody does.

17 Q. Well, --

18 A. We don't do any of that stuff,
19 okay. We stand straight and if it works for
20 him, who am I to judge him.

21 Q. Depends on whether you do business
22 with him or not?

23 A. I haven't done -- we don't do any
24 business with him.

25 Q. How about Adam Starchild?

1 A. Author.

2 Q. Business relationship with the
3 Harris Organization?

4 A. No, author. I know him personally
5 also.

6 Q. Do you know whether he has had a
7 residence on a Harris Organization owned
8 property at some point?

9 A. He lives in a Harris owned
10 apartment, yes.

11 Q. Why?

12 A. Uh?

13 Q. Why?

14 A. I don't know.

15 Q. Gifted to him by Mr. Harris?

16 A. I don't think so. But you can
17 check with the real estate department and find
18 out what his rent is and how he pays it.

19 Q. What does he author?

20 A. What does he author? Books. I
21 think he has authored several books at least.

22 Q. Do you have a sense of the general
23 subject matter of these books?

24 A. Personally, no.

25 Q. Does he write about personal

1 safety passports?

2 A. No, no.

3 Q. What does he write about?

4 A. I think Adam is a --

5 Q. I am curious, by the way. I
6 really don't know. I am not digging at you,
7 but --

8 A. No, no, no, we are past that.

9 Q. I think David knows, but I don't
10 know.

11 A. I think Adam is a, writes about
12 and I know David probably takes contest with
13 him over whether Bermuda is a governorship or
14 whatever it was, I read that piece, you know,
15 but Adam is a fairly intelligent man.

16 Personally I like him and he
17 writes, in my opinion, although I don't read any
18 of it; okay? But in my opinion he writes fairly
19 straight stuff and I don't think that David
20 would disagree with that. It is not -- It's not
21 on a par with this.

22 Q. By this you are referring to the
23 Invisible Investor?

24 A. That you have pointed out enough
25 errors now to convince me. Please, put that

1 down.

2 MR. MARCHANT: It's worth every
3 penny for the wrong reason.

4 THE WITNESS: You see, A.C., I
5 think he likes that. I told you, people
6 like that.

7 MR. STRIP: Would you like an
8 autographed copy of that, Jay?

9 MR. MARCHANT: What is Peter
10 Trevellian's real name?

11 THE WITNESS: I don't know. What
12 is Mickey Mouse's real name in the P.T.
13 Forum?

14 (Discussion off the record.)

15 BY MR. GUARCH:

16 Q. Do you have a list or access to a
17 list of the Internet addresses of what sites are
18 operated by the Harris Organization?

19 A. No, but I can get you that list.

20 Q. Would you get me that in
21 conjunction with --

22 A. Sure.

23 MR. STRIP: Web site list, you got
24 it.

25 BY MR. GUARCH:

1 Q. Is there a business relationship
2 between the Harris Organization and Fernando
3 Aleman?

4 A. Fernando Aleman is an attorney.

5 Q. Is he someone that provides
6 services to the Harris Organization in Panama?

7 A. We use him as one of our
8 attorneys, yes. He is a counsel.

9 MR. STRIP: Outside counsel.

10 THE WITNESS: Yes, he is an
11 outside counsel, okay.

12 BY MR. GUARCH:

13 Q. Other than acting as outside
14 counsel to The Harris Organisation is there any
15 other business relationship that exists?

16 A. No, not that I know of.

17 Q. Has the Harris Organisation been
18 involved in the forming of banks in Montserrat?

19 A. To the best of my knowledge The
20 Harris Organisation, and we know what that is --

21 Q. Yes.

22 A. We don't have to describe it, has
23 not, so we just get this right out here --

24 Q. Yes, you can --

25 A. I mean, Marc M. Harris --

1 Q. I can ask a bunch of questions,
2 but --

3 A. I am too tired for that, Jay.

4 Q. Well, good. Now is when you
5 start --

6 (Discussion off the record.)

7 THE WITNESS: Marc M. Harris had
8 formed some banks in Montserrat for the, for
9 third parties, let's call them third
10 parties, and delivered the banks and stepped
11 out of them.

12 That is what I know about the
13 banks in Montserrat.

14 MR. MARCHANT: How many banks?

15 THE WITNESS: Don't know. We'll
16 gladly find out for you.

17 BY MR. GUARCH:

18 Q. Do you know what happened to those
19 banks?

20 A. I don't think that anybody has an
21 idea what happened to those banks after they
22 were delivered to the ultimate owners.

23 Q. Were the banks closed down?

24 A. I hear some were.

25 Q. Do you know if any were closed

1 down by the police in the U.K.?

2 A. In Montserrat?

3 MR. MARCHANT: The police from the
4 U.K.

5 THE WITNESS: What I read and what
6 I hear is three hundred of them were closed
7 down, not all of them formed by Marc M.
8 Harris, okay, so obvioulsy at that
9 particular era in Montserrat something
10 happened. I don't know what it is.

11 MR. MARCHANT: Do you know who Mr.
12 Harris or The Harris Organisation bought
13 their banks from in Montserrat?

14 THE WITNESS: No, do not would,
15 gladly find out.

16 MR. STRIP: That is making an
17 assumption we bought banks.

18 THE WITNESS: Yes.

19 MR. STRIP: That is not my
20 understanding, but I will find out.

21 MR. STRIP: And by that who
22 exchanged monies.

23 MR. STRIP: Off the record.

24 (Discussion off the record.)

25 THE WITNESS: We will provide you

1 with a list of the banks, the names of all
2 of the banks that Marc Harris was involved
3 in forming or purchasing.

4 MR. STRIP: Exactly, and from
5 whom.

6 THE WITNESS: And from whom.

7 MR. GUARCH: In conjunction with
8 these documents that your sending me prior
9 to the deposition of Mr. Gandolfi, which
10 we'll continue next week --

11 MR. STRIP: Yes, and some of them
12 were bought from Jerome Schneider.

13 BY MR. GUARCH:

14 Q. A follow-up to that question lists
15 six different banks, First City Bank, First
16 Morgan Bank, Commerical National Bank, Eurasian
17 Merchant Bank, Fidelity Overseas Bank and Allied
18 Reserve Bank and our quest for knowledge
19 concerning Mr. Harris' --

20 A. We have that list as part of what
21 you gave us.

22 MR. STRIP: I am not following
23 either the question or the answer.

24 BY MR. GUARCH:

25 Q. I don't know that to be the case.

1 A. Okay. You have that list of
2 banks? Can we have that list of banks, because
3 it makes putting what goes with them easier,
4 okay. A copy will do.

5 MR. STRIP: What is the question?

6 BY MR. GUARCH:

7 Q. The question is what was the role
8 of either The Harris Organisation or Marc Harris
9 and we have established that --

10 MR. STRIP: Okay, thank you.

11 MR. GUARCH: That Marc Harris was
12 personally involved in the formation of the
13 following Montserrat banks.

14 MR. STRIP: I understand. I got
15 it now.

16 THE WITNESS: Give me the list.

17 BY MR. GUARCH:

18 Q. Your answer is I don't know, but
19 we are going to find out.

20 A. Going to give it to you and find
21 out. Give me the list of the names of banks.

22 Q. Mr. Marchant is ripping up his
23 document.

24 A. I though I was going to get the
25 bigger one.

1 MR. STRIP: One through six,
2 something like that?

3 THE WITNESS: Yes.

4 BY MR. GUARCH:

5 Q. Are you familiar with Jerome
6 Schneider?

7 A. I have heard of him. I don't know
8 him.

9 Q. Do you know who he is?

10 A. I don't.

11 Q. Do you know anything other than
12 having heard the name?

13 A. No.

14 Q. Quite obviously then, you don't
15 know whether there is a business relationship
16 between Mr. Schneider and The Harris
17 Organisation?

18 A. There is not now.

19 Q. Was there?

20 A. I don't know.

21 Q. You then have no knowledge of what
22 products or services he promotes?

23 A. I know he does, he does seminars
24 because I have seen his ads.

25 Q. What are his ads generally

1 promoting, to your knowledge?

2 A. The seminars on offshore.

3 Q. Similar to The Harris
4 Organisation's products?

5 A. The ad -- Yes, save your assets,
6 similar to --

7 MR. MARCHANT: Does The Harris
8 Organisation promote any of Jerome
9 Schneider's services currently?

10 THE WITNESS: No.

11 BY MR. GUARCH:

12 Q. Does The Harris Organisation
13 currently have a business relationship with
14 Swiss Global investments out of San Francisco?

15 A. We had one until Mr. Marchant
16 called them.

17 Q. And what happened?

18 A. They like so many other people
19 decided to just take a pass for now.

20 Q. Do you consider Mr. Marchant to be
21 a credible journalist?

22 A. No.

23 Q. How is that these huge
24 organizations could take Mr. Marchant's words
25 with such force that they would sever their

1 relationship with The Harris Organisation?

2 A. Jay, for the naive at the table
3 you mention Ponzi, insolvent and money
4 laundering to any organization, they don't have
5 any impotence to ride with you any more.

6 I mean, bank accounts never
7 closed. The banks didn't close our accounts
8 because they didn't like what we did except that
9 the Swiss bank we did too many operations, they
10 didn't make any money. They had no complaint
11 with us.

12 Once you mention Ponzi, insolvent
13 and money laundering why would any bank have to
14 keep one account. Get them out of here.

15 Q. Because by the nature of you not
16 considering Mr. Marchant a credible journalist
17 as you would someone with Mad magazine or
18 perhaps the National Inquirer, why would Swiss
19 Global or anyone else lend such credence to his
20 words?

21 A. Because of the fact that he had
22 uncredible (sic.) sources, he is a journalist
23 and he does publish. He faxed them their
24 articles, his articles. Nobody needs one client
25 that bad to have any aggravation come knocking

1 on their door; trust me.

2 Q. So --

3 A. That is my opinion.

4 Q. So your opinion then would be that
5 if the National Inquirer wrote an article that
6 the Swiss Global Investments in San Francisco or
7 a host of any others would not do business?

8 A. Excuse me?

9 Q. If the article had been published
10 in the National Inquirer -- Do you consider the
11 National Inquirer to be credible?

12 A. No.

13 Q. Somewhat tantamount to Mr.
14 Marchant?

15 A. Uh-huh, but if they published it
16 in there and then the editor of the National
17 Inquirer proceeded to call them and tell them of
18 all of the terrible things, they don't need any
19 one client that bad to have any aggravation.
20 That is a fact.

21 Q. And the damages --

22 A. When I say to a bank "money
23 laundering," that immediately includes them in
24 part of the process and their knee jerk reaction
25 and rightfully so on their part is, out of

1 here. Somebody warned me, you are out of here.
2 Somebody could be credible, incredible,
3 whatever, okay, because as a single client --
4 Maybe if we were General Motors or something it
5 might matter, but as a single client or a single
6 bank --

7 Q. Did Swiss Global send you a letter
8 telling you that they were disassociating with
9 you because of David Marchant?

10 A. I believe so.

11 Q. Is that the one document that you
12 made reference to that exists?

13 A. No, no.

14 Q. There is another document?

15 A. And I am --

16 Q. Is it possible that Swiss Global
17 may have disassociated with The Harris
18 Organisation because they realized that Marc
19 Harris wrote chapter fifteen of the Invisible
20 Investor?

21 A. No, I don't think so.

22 Q. Why not?

23 A. It was written before when they
24 disassociated with us.

25 Q. What was written before?

1 A. After Marchant, Mr. Marchant,
2 David called them and they called us and
3 disassociated; okay?

4 Q. That is your conclusion. But
5 isn't possible that they have read, "The Kiss
6 of Death for Corporations," chapter?

7 A. It is my conclusion.

8 Q. If you were a credible financial
9 institution such as Swiss Global Investments of
10 San Francisco and you found this book, wouldn't
11 you have found reason just as much in this book
12 as in Mr. Marchant's article to disassociate?

13 A. No.

14 Q. Why not?

15 A. No.

16 Q. This is a book that advocates tax
17 evasion in the United States of America?

18 A. Let me say it to you maybe in the
19 simplest --

20 Q. Let me give you food for thought
21 on it. I am not expecting you to say yes.
22 Forget it, I strike, I withdraw the question. I
23 will just give you a little food for thought as
24 to perhaps the level of absurdity that this is
25 and I say that in a heart-felt way, Mr.

1 Gandolfi.

2 A. Well, I will answer you just
3 because you did ask the question; okay?

4 Q. Sure, go ahead.

5 A. If a tax evader brings money to
6 Swiss Global and deposits and they capture him
7 as a tax evader, it has no effect on Swiss
8 Global.

9 If a money launderer, as he
10 accused us of being, brings money to Swiss
11 Global and they capture him, Swiss Global has a
12 whole lot of trouble, okay. So that is the
13 difference.

14 Q. It is your conclusion that this
15 book doesn't deal with money laundering sort of
16 activities either?

17 A. It is not even in the same
18 ballpark; okay?

19 Q. "How to take your money out of the
20 country before the money takes the country out
21 of you."

22 A. What does that have to do with
23 money laundering?

24 Q. It's okay to be someone who evades
25 taxes?

1 A. All of money, all of my money is
2 taxes paid on sitting there. But I assume that
3 they are going to invoke a new tax which is
4 going to take 20 percent of my savings because
5 they can't make the country run; okay? Get my
6 money out. There is nothing illegal about that;
7 nothing.

8 Q. You believe that?

9 A. Absolutely. And you know what I
10 said between tax evasion and Swiss Global and
11 money marketing is absolutely true.

12 Q. Other than the sequestration of
13 the assets which was referred to previously of
14 Harris Organization assets which exist currently
15 of one point one million by Dr. Boutin, has The
16 Harris Organisation had any other sequestration
17 of its assets over the last five years?

18 A. Not to my knowledge, no.

19 Q. Has The Harris Organisation
20 operated any banks over the last five years?

21 A. Operated banks?

22 Q. Yes?

23 A. Not to my knowledge.

24 Q. Has Mr. Harris operated any banks
25 or formed banks?

1 A. No, not to my knowledge. Oh,
2 formed banks?

3 Q. Over the last five years?

4 A. Formed or operated?

5 Q. Formed?

6 A. I think we have formed a class B
7 bank.

8 Q. Do you know what bank that is and
9 where?

10 A. No, but I will find out. St.
11 Vincent.

12 Q. I am sorry?

13 A. St. Vincent.

14 Q. St. Vincent?

15 A. Yes, but I will find out the name
16 of the bank.

17 Q. Okay.

18 A. And it has gone to a client.

19 MR. MARCHANT: Does The Harris
20 Organisation provide any directors or
21 officers for that bank?

22 THE WITNESS: I don't know that.

23 BY MR. GUARCH:

24 Q. Have there been any corporations,
25 companies formed by The Harris Organisation in

1 the U.K.?

2 A. I believe so.

3 Q. Do you know what business they are
4 in?

5 A. We have Worldwide Real Estate.

6 MR. STRIP: You are talking about
7 other than the PLC which we already
8 discussed?

9 BY MR. GUARCH:

10 Q. All right, we have obviously --

11 MR. STRIP: Otherwise you will
12 have to get into that all again. Outside of
13 the PLC.

14 THE WITNESS: Okay, I don't know.

15 BY MR. GUARCH:

16 Q. Do you know why Mr. Harris
17 renounced his U.S. citizenship?

18 A. Do not. By choice, I assume.

19 Q. Do you have an opinion as to why
20 someone would renounce their U.S. citizenship in
21 the offshore financial arena?

22 A. Do not.

23 Q. Does renouncing your U.S.
24 citizenship liberate you from tax
25 responsibilities in the U.S.?

1 A. I don't know.

2 Q. I am going to leave the area of
3 damages --

4 MR. STRIP: Till you get the
5 documents.

6 BY MR. GUARCH:

7 Q. Because I am assuming that they
8 would associate with documents and I am going to
9 try not to stumble any more than I already
10 have.

11 Q. Yes, I mean, we can do a full day
12 next week. There is no --

13 Q. You know, I don't -- I can't
14 formulate an opinion, I don't have a document to
15 look at?

16 A. I understand that, okay. And, you
17 know, so it doesn't matter if we do a full day
18 or two half days, I think we scheduled me next
19 week for half a day before or after some other
20 affair, but whatever it is, whatever it takes,
21 okay. Whatever it takes.

22 Q. I am going to show you a
23 document. I believe this is a document that was
24 produced during the meeting that was held with
25 Mr. Marchant and Mr. Harris who was --

1 A. I was there.

2 Q. I know you were, Bahamas in March
3 of 1997.

4 MR. STRIP: While you are looking
5 at that I just need one minute.

6 BY MR. GUARCH:

7 Q. March of 1997?

8 MR. MARCHANT: I produced that.
9 Mr. Harris produced a mirror copy.

10 THE WITNESS: I am familiar with
11 this. What it is is an internal, an
12 unsigned internal working document, okay.
13 Draft, but that is okay. We want to talk
14 about finances now or do you want to wait?

15 BY MR. GUARCH:

16 Q. No, no, just -- Can you testify
17 that this is the document that was produced at
18 that the meeting?

19 A. Yes, yes.

20 Q. And we'll go ahead and just deal
21 with it as Exhibit Q.

22 A. Jay, long ago I decided you are
23 not going to try to hood me. So, you know, you
24 are just not that type. So I don't have a
25 problem

1 (Thereupon, the above-mentioned
2 document was marked as Defendant's Composite
3 Exhibit Q for identification this date.)

4 BY MR. GUARCH:

5 Q. The reality of the matter is that
6 I don't feel like I need to hoodwink you.

7 A. You don't.

8 Q. If I did, I might try, but I don't
9 need to. I say that facetiously, obviously. I
10 am not here to create anything. I am here to
11 deal with what exist.

12 A. I mean, otherwise I would have to
13 say let me check all of these numbers and all of
14 that.

15 Q. You know that I had no involvement
16 in the writing of this article. Mr. Marchant
17 came to me after you sued him. So I can't do
18 anything but deal with it.

19 A. You know, I mean, it is -- This is
20 not a bad feeling here. It is a, the only
21 vehicle we have with which to solve a problem,
22 okay.

23 Q. To the best of your knowledge -- I
24 should wait till Mr. Strip is back.

25 A. Yeah, let's do that.

1 (Discussion off the record.)

2 BY MR. GUARCH:

3 Q. You testified yesterday, Mr.
4 Gandolfi, about the salaries and compensation
5 paid to Mr. Harris?

6 A. Uh-huh.

7 Q. And the fact that I believe he is
8 paid 85 thousand dollars per month in salary.
9 Is there other compensation that he receives in
10 the way of bonuses?

11 A. Not my knowledge.

12 Q. Do you know for how long he has
13 been paid the sum, this sum of money? Has it
14 been going on for years?

15 A. A couple of years.

16 Q. Prior to that do you know what his
17 compensation was?

18 A. Prior to that I don't know, no.

19 Q. So roughly since 1996 forward he
20 has been paid about that?

21 A. I would say, yes.

22 Q. Do you know if there is any
23 management memorandum circulated within The
24 Harris Organisation that concern alleged
25 inaccurate markup of assets, generally that

1 subject matter?

2 A. No, I do not.

3 Q. You have never seen them, you are
4 not aware of that?

5 A. No, no.

6 Q. I have asked you, and I think you
7 said that you are not familiar with any
8 memorandum concerning liquidity problems?

9 A. No, I am not.

10 Q. You, I believe, did testify that
11 there were some memoranda, at least one dealing
12 with the issues concerning the inappropriate
13 borrowing of client's funds?

14 A. Yes, I have heard of that memo,
15 okay, of the inappropriate use of client's funds
16 and some suggestions that, what should be done.

17 No, but I have not seen the memo,
18 but I have heard of that memo.

19 Q. Do you know of a dispute that
20 exists with an attorney who has represented you
21 concerning fees?

22 MR. MARCHANT: Personally.

23 THE WITNESS: Who?

24 MR. MARCHANT: You personally, not
25 The Harris Organisation?

1 THE WITNESS: Me personally?

2 MR. MARCHANT: Yes.

3 THE WITNESS: No, do not.

4 BY MR. GUARCH:

5 Q. Mayling Larios, do you know who
6 that is?

7 A. Know her very well.

8 Q. No dispute between --

9 A. No.

10 Q. -- You and her or Harris
11 Organization or anyone that you know and her
12 regarding legal fees?

13 A. No.

14 Q. I don't know anything about this.
15 This comes straight from David, so if you've got
16 something to add to it, by all means?

17 A. No, no.

18 Q. Has there been payments to or
19 compensation in any way to the writer of,
20 writers of newsletters that endorse Harris
21 Organization products?

22 We spoke of a gentleman who, I
23 will paraphrase, likes us?

24 MR. STRIP: P.T. something or
25 other.

1 BY MR. GUARCH:

2 Q. P.T. Shamrock. Is there
3 compensation in any way, payment in any way
4 to --

5 A. If he sells one of our structures
6 or our structures, he gets --

7 Q. But within these newsletters, and
8 I believe it was Expat World not --

9 A. Okay, because P.T. doesn't do a
10 newsletter to my knowledge.

11 Q. Expat World who touts your
12 products --

13 A. Uh-huh.

14 Q. Is there a compensation in any way
15 to Expat World, for example, for touting The
16 Harris Organisation?

17 A. No. No, if a client comes from
18 Expat World and buys structures, then there is a
19 commission.

20 Q. But for the --

21 A. For the press, for the -- No, no,
22 no.

23 Q. Not to your knowledge?

24 A. No, no.

25 Q. Let me tell you off the record for

1 a minute what I have left to do from a timing
2 standpoint.

3 (Discussion off the record.)

4 BY MR. GUARCH:

5 Q. Okay, lastly for the day, are you
6 familiar with Threshold Insurance Services?

7 A. Yes.

8 Q. What is that?

9 A. A captive insurance company.

10 Q. Brent Wagman and Williams E. Wells
11 (phonetic), do you know who they are?

12 A. Yes.

13 Q. Who are they?

14 A. Don't really know who William
15 Wells is, but I know Brent Wagman. Wagman is a
16 -- What would you call Brent? He is involved
17 in oil drilling and gas leases.

18 Q. What relationship does he have
19 with The Harris Organisation?

20 A. He is an acquaintance of mine.

21 Q. Does he have a relationship with
22 Threshold Insurance Services?

23 A. I don't know that directly, can't
24 answer that.

25 Q. How about William E. Wells?

1 A. Don't know.

2 MR. MARCHANT: Are they clients of
3 The Harris Organisation?

4 THE WITNESS: You know I am not
5 going to answer that.

6 MR. STRIP: We get into a
7 Panamanian, you know, secrecy of client
8 problems. I am just trying to figure out
9 how to accommodate you without sounding
10 like --

11 MR. MARCHANT: Because you are
12 suing me in the United States.

13 MR. STRIP: I understand that, but
14 he still can't disclose -- I am trying to
15 see, not to play games, but how we can
16 accommodate your question without breaching
17 our Panamanian laws.

18 MR. MARCHANT: Is there a business
19 relationship?

20 MR. STRIP: That is just exactly
21 the words that I was looking for. I think
22 you can probably indicate a business
23 relationship and stop there.

24 THE WITNESS: Okay, yes.

25 MR. STRIP: I don't think there is

1 an SEC violation.

2 MR. MARCHANT: Was any due
3 diligence carried out on them?

4 THE WITNESS: I don't know.

5 MR. MARCHANT: What does Threshold
6 Insurance Services insure?

7 MR. STRIP: You know, it's getting
8 difficult. I am trying to be liberal, but
9 -- Go ahead, I am not cutting you off.

10 BY MR. GUARCH:

11 Q. What does does Threshold Insurance
12 Services insure?

13 A. I don't know.

14 MR. STRIP: I am sorry, it is just
15 difficult.

16 BY MR. GUARCH:

17 Q. It is a captive insurance company
18 of The Harris Organisation?

19 A. Uh-huh.

20 Q. Which means that it is wholly
21 owned by --

22 A. Oh, it's not a captive insurance
23 company of The Harris Organisation.

24 Q. What is it?

25 A. It is an insurance company.

1 MR. MARCHANT: You said a captive
2 insurance company.

3 THE WITNESS: Captive, yes, we
4 formed it; okay.

5 MR. MARCHANT: Do you know what a
6 captive insurance company is? Do you know
7 what the definition of a captive insurance
8 company is?

9 THE WITNESS: No.

10 BY MR. GUARCH:

11 Q. You don't know what the definition
12 of a captive insurance company is, but yet you
13 know that The Harris Organisation formed it?

14 A. We sell captive insurance
15 companies; okay?

16 Q. But you don't know what they are?

17 A. The legitimate definition? It is
18 an insurance company. The legitimate definition
19 of a captive insurance company I do not know.

20 Q. Do you know what the illegitimate
21 definition of a Captive Insurance Company is?

22 A. One that I would make up.

23 MR. STRIP: How about your own
24 definition, so they don't think we are
25 trying to avoid the question?

1 THE WITNESS: My own definition of
2 a captive insurance company is an insurance
3 company that does insurance to a particular
4 entity and then reinsures it. That would be
5 my own definition.

6 BY MR. GUARCH:

7 Q. Why that structure?

8 A. For a possible increase in
9 coverage and reassuring, reinsuring that
10 coverage in a lesser amount and then the
11 coverage that you reinsure is, of course, first
12 coverage and then in an analogy, and this is my
13 analogy now, this is my understanding. You
14 might have one hundred, three hundred thousand
15 liability on your car and so you might have a
16 captive insurance company insure it for half a
17 million, a million, reinsure it back for the
18 hundred, three hundred thousand and you could
19 bump the premium that way. And the reinsured
20 portion would then virtually be the first
21 insurance for the one hundred to three hundred
22 thousand and chances are in life you would never
23 need more than the three hundred thousand
24 anyway; okay.

25 MR. MARCHANT: I mean, I am just

1 trying to speed things along.

2 MR. STRIP: I understand that, but
3 don't gang up on us.

4 MR. MARCHANT: I am trying to
5 speed things.

6 MR. STRIP: Go easy, one at a
7 time, that is all I am saying.

8 MR. GUARCH: No, but it is not all
9 right because if some of these questions
10 later need to be used during the course of
11 this litigation, Mr. Marchant asking these
12 questions will create a problem. So at the
13 risk of slowing down, I don't want to --

14 MR. STRIP: I will, will waive any
15 objection.

16 MR. GUARCH: Okay, that being said
17 that changes it.

18 MR. STRIP: I waive it.

19 MR. GUARCH: While we are on the
20 record.

21 MR. STRIP: I am not going to
22 sandbag you.

23 MR. MARCHANT: Is it the case that
24 The Harris Organisation's employees would
25 show up as directors and officers --

1 THE WITNESS: It is a possible
2 case.

3 MR. MARCHANT: -- As part of the
4 type of service that The Harris
5 Organisation --

6 THE WITNESS: It is a possible
7 case that we would have nominee directors,
8 yes. I don't know if we do or not, but it's
9 possible.

10 BY MR. GUARCH:

11 Q. Do you know who the beneficial
12 owners of Threshold Insurance Company are?

13 A. I don't know.

14 Q. I assume Mr. Harris would know?

15 A. No, I am sure that he would not
16 know. But there is, again, incorporations or
17 somebody in the organization would know. Would
18 not be Mr. Harris.

19 Q. Are you familiar with any problems
20 associated with Threshold Insurance Services?

21 A. No, I am not.

22 MR. MARCHANT: Was any due
23 diligence carried out before accepting the
24 Threshold business?

25 THE WITNESS: I don't -- I can't

1 testify to that because I don't know what
2 Threshold's business is.

3 MR. MARCHANT: Was any due
4 diligence carried out before Threshold
5 Insurance was formed?

6 THE WITNESS: There is no due
7 diligence necessary before you form
8 Threshold Insurance. It is an insurance
9 company

10 BY MR. GUARCH:

11 Q. Well, there would be due diligence
12 as to whoever you are forming it for?

13 A. Or sold it to. I mean, it could
14 have been on the shelf. It could be an
15 insurance company that is on a shelf.

16 MR. MARCHANT: Do you typically do
17 any due diligence on who you sell shell
18 companies to?

19 THE WITNESS: Yes.

20 MR. MARCHANT: So you would have
21 done due diligence on whoever Threshold was
22 sold to, if in fact it was sold?

23 THE WITNESS: In all probability,
24 yes.

25 BY MR. GUARCH:

1 Q. But you don't have personal
2 knowledge of who it was sold to?

3 A. No, I do not.

4 Q. How about Caribbean General
5 Insurance Company?

6 A. Same answers apply.

7 MR. MARCHANT: That The Harris
8 Organisation, does it provide officers and
9 directors?

10 THE WITNESS: Could, I don't know
11 if it has. Could.

12 BY MR. GUARCH:

13 Q. Are you are familiar with it as
14 having been a captive insurance company?

15 A. No, I am not. No.

16 Q. But you are for Threshold
17 Insurance Company, but not --

18 A. Not for Caribbean. It is not a
19 name that rings a bell with me, okay.

20 Q. Star Insurance Company?

21 A. Never heard of it.

22 Q. Steven Brewer (phonetic)?

23 A. Never heard of him.

24 MR. MARCHANT: We could go through
25 the others as well.

1 MR. GUARCH: You mean above?
2 MR. MARCHANT: Yes.
3 BY MR. GUARCH:
4 Q. New England International Surety,
5 Inc.?
6 A. Never heard of it.
7 Q. Also known as New England
8 Insurance Company, Ltd.?
9 A. Never heard of it.
10 Q. New England Surety International?
11 A. Never heard of it.
12 Q. John McGarity (phonetic)?
13 A. Never heard of him.
14 Q. Any knowledge about the entities
15 known as Ameritec (phonetic) Petroleum, Inc.?
16 A. No.
17 Q. Canco Environmental Technologies,
18 Inc.?
19 A. No.
20 Q. Laser Leasing?
21 A. No, no.
22 Q. Capital Acquisitions, Inc.?
23 A. No.
24 Q. World Vision Entertainment?
25 A. No.

1 Q. South Mountain Resort and Spa?
2 A. No.
3 Q. And finally Capital Communities
4 Corporation?
5 A. No.
6 Q. Wilcox, Johnson & Higgins?
7 A. No.
8 Q. Sussex Insurance Group?
9 A. No.
10 Q. Beta Management Limited?
11 A. No.
12 Q. Indemnity Reinsurance Company?
13 A. No.
14 Q. Westwood Insurance Company
15 Limited?
16 A. No.
17 Q. One more. Tangent Insurance
18 Company?
19 A. No.
20 MR. MARCHANT: Lifeblood
21 Biomedical, Inc.?
22 THE WITNESS: No.
23 BY MR. GUARCH:
24 Q. Let me just show you a document
25 and ask if you recognize it or its general form

1 and substance within The Harris Organisation
2 formation of insurance companies?

3 A. It's not in any of our format.
4 This appears to be Ilka Barria's signature
5 which, of course, we know by now is one of our
6 nominees. The letterhead, the format, know
7 nothing of.

8 MR. MARCHANT: Do you recognize
9 the address, the two addresses on the
10 letterhead?

11 THE WITNESS: I don't recognize
12 the post office box, but it could be --
13 These addresses, that is our building;
14 okay. World Trade Center, we usually use El
15 Dorado. I don't know World Trade Center or
16 not.

17 But this form I will guarantee you
18 -- Somebody -- I would love to see an
19 original of that; okay.

20 MR. MARCHANT: Do you recognize
21 the address Balboa Plaza Building, Suite
22 418?

23 THE WITNESS: 418, I don't know if
24 that is one of our offices or not, but
25 Balboa Plaza is our building.

1 MR. STRIP: Is the building that
2 you are in?

3 THE WITNESS: Yes, the building
4 that we are in, yes.

5 BY MR. GUARCH:

6 Q. How about the next document?

7 A. Let me go back to the first one.

8 It is really pretty obvious that those two
9 signatures are not the same; Ilka Barria.

10 I suspect that --

11 MR. STRIP: What is the date of
12 that stuff?

13 BY MR. GUARCH:

14 Q. That these two are not the same?

15 A. Yes.

16 Q. What leads you to that conclusion?

17 A. They are not. Somebody who tried
18 to copy, but whatever. I have never seen any of
19 those, okay. I've never seen any of that.

20 Q. Do you have any knowledge about
21 the subject matter of what is contained within
22 those two documents?

23 A. Let me read that one. The other
24 one I don't know anything about. Let me see,
25 February of '98?

1 MR. STRIP: Yes.

2 (Discussion off the record.)

3 BY MR. GUARCH:

4 Q. Let's go ahead and continue this.
5 Let's not continue this tomorrow, but continue
6 it next week.

7 MR. STRIP: We'll see you at one
8 o'clock tomorrow for Goldstein.

9 MR. GUARCH: Yes, and let's see if
10 we can streamline the process.

11 (Discussion off the record.)

12 MR. GUARCH: I am sorry, let's
13 mark one more document. We'll mark this as
14 R, Exhibit R. It is the editorial, or is
15 this the newsletter?

16 THE WITNESS: I think we marked
17 that.

18 MR. GUARCH: Well, I don't have
19 it. Do you have it down?

20 THE WITNESS: Daily editorial as
21 P.

22 MR. GUARCH: You are correct.
23 Okay, that is all for today.

24 (Thereupon, the deposition was
25 adjourned for the day at 5:05 p.m. and contined

1 on March 24th, at 1:30 in the afternoon as
2 follows.)

3 BY MR. GUARCH:

4 Q. We have sat here and gone through
5 a series of documents that I'll read into the
6 record as documents that we have stipulated are
7 authentic, so there will be no issues of
8 authenticity without regard to relevance or
9 admissibility.

10 MR. STRIP: Agreed.

11 BY MR. GUARCH:

12 Q. And we'll start with Exhibit R as
13 we have previously marked documents through
14 Exhibit.

15 Exhibit R is a letter from Swiss
16 Bank Corporation in Panama to Marc Harris dated
17 January the 16th of 1997, in Spanish.

18 A. In Spanish, correct

19 (Thereupon, the above-mentioned
20 document was marked as Defendant's Composite
21 Exhibit R for identification this date.)

22 BY MR. GUARCH:

23 Q. Exhibit S is a cyberhaven dot com
24 web page with an article written by Marc Harris
25 titled Social Contract, two pages.

1 (Thereupon, the above-mentioned
2 document was marked as Defendant's Composite
3 Exhibit S for identification this date.)

4 BY MR. GUARCH:

5 Q. Exhibit T is a four page document,
6 BCL Immigration Services, web page and it also
7 identifies Expat Tax Law, "The Door is Now
8 Closed."

9 (Thereupon, the above-mentioned
10 document was marked as Defendant's Composite
11 Exhibit T for identification this date.)

12 BY MR. GUARCH:

13 Q. Exhibit U is an X Expat World web
14 page, "Panama's One-Stop Shopping Door for Asset
15 Protection and Growth."

16 (Thereupon, the above-mentioned
17 document was marked as Defendant's Composite
18 Exhibit U for identification this date.)

19 BY MR. GUARCH:

20 Q. Exhibit V is a P.T. Shamrock web
21 page, the title is, "The Firm of Marc M. Harris
22 World Class Estate Planning, Asset Protection
23 and Financial Planning."

24 This is a February 4th of 1999,
25 consist of several pages.

1 (Thereupon, the above-mentioned
2 document was marked as Defendant's Composite
3 Exhibit V for identification this date.)

4 BY MR. GUARCH:

5 Q. Exhibit W is a copy of the June
6 first of 1998 article about Marc Harris as
7 published in Business Week.

8 (Thereupon, the above-mentioned
9 document was marked as Defendant's Composite
10 Exhibit W for identification this date.)

11 BY MR. GUARCH:

12 Q. Exhibit X is an English version,
13 and if you don't mind I will attach to it the
14 Spanish version.

15 MR. STRIP: Okay.

16 BY MR. GUARCH:

17 Q. I don't have it, but I will get it
18 and attach it.

19 MR. STRIP: We'll agree that it
20 may be attached later.

21 BY MR. GUARCH:

22 Q. Okay, of the criminal proceeding
23 which we understand has been brought or at least
24 attempted to be brought in Panama by The Harris
25 Organisation against Mr. Marchant and Offshore

1 Business News and Research, Inc.

2 (Thereupon, the above-mentioned
3 document was marked as Defendant's Composite
4 Exhibit X for identification this date.)

5 BY MR. GUARCH:

6 Q. Exhibit Y is the final order from
7 the State of Florida Department of Professional
8 Regulation, Board of Accountancy dated --

9 MR. STRIP: Whatever it says.

10 BY MR. GUARCH:

11 Q. Whatever date, December the 7th of
12 1989 regarding Marc M. Harris.

13 (Thereupon, the above-mentioned
14 document was marked as Defendant's Composite
15 Exhibit Y for identification this date.)

16 BY MR. GUARCH:

17 Q. Exhibit Z is a Washington post
18 archives web page, has a heading, "Where It
19 Comes From, Few Seem To Know."

20 And there is another article
21 titled, "Pie In The Sky," from Fantasy Island.

22 MR. STRIP: That is all part of Z.

23 MR. GUARCH: Yes, all part of Z,
24 two separate articles.

25 MR. STRIP: Yes, okay.

1 (Thereupon, the above-mentioned
2 document was marked as Defendant's Composite
3 Exhibit Z for identification this date.)

4 BY MR. GUARCH:

5 Q. Exhibit AA is a copy of an article
6 in the Wall Street Journal dated September the
7 3rd of 1998 regarding Mr. Ron Williams.

8 (Thereupon, the above-mentioned
9 document was marked as Defendant's Composite
10 Exhibit AA for identification this date.)

11 BY MR. GUARCH:

12 Q. Exhibit BB is a one page Harris
13 Offshore Center web page links?

14 (Thereupon, the above-mentioned
15 document was marked as Defendant's Composite
16 Exhibit BB for identification this date.)

17 BY MR. GUARCH:

18 Q. Exhibit CC is a P.T. Shamrock web
19 page consisting of several pages.

20 (Thereupon, the above-mentioned
21 document was marked as Defendant's Composite
22 Exhibit CC for identification this date.)

23 BY MR. GUARCH:

24 Q. Exhibit DD is another Expat World
25 web page, numerous pages. It is dated November

1 the 30th of 1998.

2 (Thereupon, the above-mentioned
3 document was marked as Defendant's Composite
4 Exhibit DD for identification this date.)

5 BY MR. GUARCH:

6 Q. Exhibit E is a one page memorandum
7 dated --

8 MR. STRIP: January the 23rd of
9 1990.

10 BY MR. GUARCH:

11 Q. Yes, in the American Banker, Inc.
12 publication.

13 (Thereupon, the above-mentioned
14 document was marked as Defendant's Composite
15 Exhibit EE for identification this date.)

16 BY MR. GUARCH:

17 Q. Exhibit FF is a Havana Holdings
18 Incorporated web page, numerous pages, dated
19 November 1998.

20 (Thereupon, the above-mentioned
21 document was marked as Defendant's Composite
22 Exhibit FF for identification this date.)

23 BY MR. GUARCH:

24 Q. Exhibit GG is a, another Expat
25 World web page, again numerous pages. March of

1 1999 is the date on that.

2 (Thereupon, the above-mentioned
3 document was marked as Defendant's Composite
4 Exhibit GG for identification this date.)

5 BY MR. GUARCH:

6 Q. Exhibit HH is another P.T.
7 Shamrock home page again with numerous pages
8 dated January the 3rd of 1999, as well as
9 December the 22nd of 1998.

10 (Thereupon, the above-mentioned
11 document was marked as Defendant's Composite
12 Exhibit HH for identification this date.)

13 BY MR. GUARCH:

14 Q. Exhibit II is a Carlton Press also
15 identified as Offshore-Manual dot com web page,
16 again numerous pages. This is dated December
17 the 22nd of 1998, some of the pages. Others are
18 March 9th of 1999.

19 (Thereupon, the above-mentioned
20 document was marked as Defendant's Composite
21 Exhibit II for identification this date.)

22 BY MR. GUARCH:

23 Q. Exhibit JJ is a Harris Publishing
24 daily editorial dated February the 19th of 1999,
25 one page.

1 (Thereupon, the above-mentioned
2 document was marked as Defendant's Composite
3 Exhibit JJ for identification this date.)

4 BY MR. GUARCH:

5 Q. Exhibit KK is an Offshore
6 Newsletter web page. It is also International
7 Trading Investment Limited, actually the
8 identified web page, several pages dated October
9 of '97.

10 (Thereupon, the above-mentioned
11 document was marked as Defendant's Composite
12 Exhibit KK for identification this date.)

13 BY MR. GUARCH:

14 Q. Exhibit LL again is numerous
15 pages. It is dated March the 7th of 1999,
16 Privacy World web page, numerous pages.

17 (Thereupon, the above-mentioned
18 document was marked as Defendant's Composite
19 Exhibit LL for identification this date.)

20 BY MR. GUARCH:

21 Q. And lastly, Exhibit MM is another
22 daily editorial from The Harris Organisation
23 dated March the 4th of 1999 and it consist of
24 two pages.

25 (Thereupon, the above-mentioned

1 document was marked as Defendant's Composite
2 Exhibit MM for identification this date.)

3 MR. STRIP: Just for the record,
4 all of the above is agreed upon.

5 (Discussion off the record.)

6 BY MR. GUARCH:

7 Q. I would like to make reference to
8 paragraph thirteen of the amended complaint,
9 which you have a copy of, filed on behalf of
10 three of the Marc Harris firms.

11 And by the way, I think I
12 understand that the Marc M. Harris et Cie. firm
13 is the holding company that basically has the
14 finances; is that correct?

15 A. The assets.

16 Q. The assets?

17 A. Yeah.

18 Q. Why, if you know, was a decision
19 made to bring this lawsuit in the name of only
20 these three entities?

21 A. I don't know. Advice of counsel,
22 I would assume.

23 Q. To your knowledge --

24 A. Uh-huh.

25 Q. -- No particular reason, right?

1 A. Uh-huh.

2 Q. Paragraph thirteen of the amended
3 complaint has a list A through K of allegations
4 contained in the article and I use the words of
5 the complaint that are considered libelous and
6 defamatory.

7 I am going to try, if at all
8 possible, not to be repetitive, but, for
9 example, as I look at A and it reads,
10 "Plaintiffs operated a Ponzi scheme which served
11 to defraud clients of the Plaintiffs."

12 I guess I have to ask you what
13 your definition of a Ponzi scheme is again as a
14 prerequisite to my question for you which is why
15 do you believe that that is libelous and
16 defamatory?

17 A. Okay, go back to the Ponzi scheme
18 definition in my own mind my own definition is
19 where new money comes in to pay off people who
20 were promised some sort of payoff from older
21 money and there is no substance to the scheme
22 whatsoever.

23 There is -- it's strictly money in
24 and money out, no substance.

25 Q. In your lay person's mind, not as

1 lawyer, how do you define something that is
2 libelous and defamatory?

3 A. In my lay person's mind it would
4 be somebody who printed or said something about
5 -- using me as an example, that was completely
6 untrue or untrue and would defame my reputation
7 in some way or another.

8 Q. So that I understand your
9 definition of libel would be premised upon
10 whether it is true or untrue, is that correct?

11 A. Yes, it would have to be untrue
12 for it to be libelous in my lay person's mind.

13 Q. Would you agree with me that it
14 could be untrue, but that the writer may not
15 have done something libelous in that he may have
16 relied upon a source that could be deemed
17 credible?

18 A. In my lay person's mind I would
19 say no to that because before somebody writes
20 something that would be libelous as I described
21 it, it should be thoroughly checked, I would
22 think. Other than a source. I mean, hearing it
23 in a bar, that would be a source.

24 Q. I understand.

25 A. It would not in my mind make

1 anybody publish something or write something, a
2 writer and present it as fact. I think some
3 due diligence would have to be done.

4 Q. Understood. And I am not asking
5 you to draw a conclusion on at what point you
6 would deem it to be due diligence.

7 A. Uh-huh.

8 Q. But there could be something
9 written by a writer that was not true, but that
10 resulted from due diligence that would not be
11 libelous. Do you understand that to be a true
12 statement?

13 A. Yes.

14 Q. So that if, for example,
15 hypothetically you tell me something about The
16 Harris Organisation and I deem you to be a
17 credible source regarding The Harris
18 Organisation, I publish it, it's not true, I may
19 not have done something libelous because I
20 relied upon a credible source, is that a fair
21 characterization? And I am not trying to trick
22 you, I just want --

23 MR. STRIP: I am going to object.

24 MR. GUARCH: Please do.

25 MR. STRIP: I will object, and

1 only because I think it's calling for a
2 conclusion or a legal whatever it is, but go
3 ahead and answer the question.

4 THE WITNESS: Analogies are one of
5 my great things in life because everyone can
6 understand them.

7 If a source told -- let's assume
8 that I am the writer, told me that The
9 Harris Organisation was involved in a Ponzi
10 scheme, I would probably treat that one
11 way.

12 If the source told me that the
13 walls inside The Harris Organisation are
14 painted an awful color lavender, I would
15 might treat that another way. One to me,
16 whether it has lavender walls or white
17 walls, I could write lavender walls and I
18 don't see it hurting anybody or defaming
19 anybody except maybe that the Harris
20 Organisation has strange taste.

21 But if somebody says to me, Ponzi
22 scheme, that is a criminal offense. That is
23 saying that the Harris Organisation is
24 committing a criminal offense. That one
25 would be treated by me as a writer totally

1 different or I think any writer should treat
2 it totally different, with much more due
3 diligence or much more than "credible source
4 information."

5 BY MR. GUARCH:

6 Q. I understand. If a credible
7 source told you that the Harris Organisation was
8 paying, taking new money to pay old debt, a
9 rough characterization of your definition of
10 Ponzi scheme, would you consider it libelous if
11 you then formed an opinion that there was a
12 Ponzi scheme going on at The Harris
13 Organisation?

14 A. If the writer formed an opinion?

15 Q. If you were told by credible
16 source or sources that your definition of a
17 Ponzi scheme, taking new money to pay off old
18 debt, was occurring at the Harris Organisation,
19 would you consider your forming an opinion that
20 it was a Ponzi scheme to be libelous, if you
21 wrote it?

22 A. Yes.

23 Q. Why?

24 A. Because it would defame The Harris
25 Organisation and as a writer I think you have --

1 anybody with the public's eye or ear or a writer
2 has a fiduciary responsibility as to whether he
3 writes.

4 And at least due diligence where
5 you became convinced of the fact that it was in
6 fact fact.

7 Q. But you could be convinced of that
8 by having credible source or sources tell you as
9 much, correct?

10 A. I don't know that. You would have
11 to check the credible sources.

12 Q. Right. I mean, my question I
13 guess in the end becomes it really depends upon
14 the sources, doesn't it, as to whether due
15 diligence in the case of sources informing you
16 of the same has in your opinion been conducted
17 or not, right?

18 A. Okay, I'll say yes to that, okay.

19 Q. So in summary, I mean, it goes
20 beyond whether it is true or not as it relates
21 to libel in your mind, not legal conclusions, in
22 your mind?

23 A. Yes.

24 Q. It goes to what information was
25 gathered in order to formulate that opinion?

1 A. How much information was gathered,
2 how much due diligence was done.

3 Q. And we are as you understand it,
4 we are talking about just in general writing
5 about you or I, not about a public figure. We
6 understand that there are different standards
7 there that come in; right?

8 A. Yes.

9 Q. But basically what we are trying
10 to define here for purposes of these questions
11 relate to a private individual?

12 A. What I think libel is, okay.

13 Q. Relating to a private individual,
14 a private figure as you know it in laymen's
15 terms, correct?

16 A. Yes, uh-huh.

17 Q. What basis do you have for
18 furthering the opinion on behalf of the
19 corporate entities which you represent here that
20 there is not a Ponzi scheme in effect at the
21 Harris Organisation?

22 MR. STRIP: Same objection.

23 (Discussion off the record.)

24 BY MR. GUARCH:

25 Q. What I am wondering is upon what

1 do you draw, for purposes of your opinion, that
2 it was libelous and defamatory to state in the
3 article that the Plaintiffs operated a Ponzi
4 scheme which served to defraud clients of the
5 Plaintiffs; documents, general information? I
6 am just trying to get a sense of how you
7 intend to --

8 A. Why I was --

9 Q. How are you going to prove that?

10 A. That there wasn't any Ponzi
11 scheme.

12 Q. Yes?

13 A. Through the fact of a financial
14 statement that we are solvent or statements that
15 we are solvent.

16 Q. So the financial statement for A,
17 and I'm going to assume B and maybe we'll move
18 along here and not be here to long, and B is
19 that the Plaintiffs or one or more of them were
20 insolvent to the extent of twenty-five million
21 dollars?

22 MR. STRIP: Solvent did you say?

23 BY MR. GUARCH:

24 Q. Insolvent?

25 MR. STRIP: I am not sure that I

1 understood the question.

2 BY MR. GUARCH:

3 Q. That is fair. That is a very poor
4 question.

5 MR. STRIP: I didn't mean that.

6 BY MR. GUARCH:

7 Q. Is it fair to say that A and B
8 draw upon the financial statement for your
9 opinion that those statements made in the
10 article were libelous and defamatory?

11 A. No, I think that insolvency and a
12 Ponzi scheme in my opinion -- a company could be
13 in fact insolvent and not be a Ponzi scheme.

14 Q. Correct.

15 A. Okay, and so I don't mix them
16 together. But the financial statement which
17 should satisfy both of those things.

18 Q. Okay. The financial statement in
19 and of itself is a document that you rely upon
20 for that opinion?

21 A. My personal knowledge of the
22 company and the financial statement and the
23 day-to-day operations of the company, the
24 assets. Just the general operations of the
25 company plus the financial statement plus my

1 personal knowledge.

2 Q. Would you agree with me that in
3 order to have the financial statements, and we
4 are referring to the December of 1998 audited
5 financial statement of Marc M. Harris et Cie.,
6 correct?

7 A. '97.

8 Q. I am sorry, '97.

9 A. Uh-huh.

10 Q. In order to have those documents
11 serve as that basis you would need to have the
12 underlying documents from whence that financial
13 statement was derived, is that fair?

14 A. I can't answer that because I am
15 not an accountant, number one.

16 Q. As best as you can.

17 A. Number two, to the best of my
18 knowledge the accountants would have drawn all
19 of those underlying documents to produce that
20 statement and certify it or audit it, however it
21 would be.

22 So if the question was, again,
23 they audited it, they are certified auditors,
24 they are licensed, they are whatever, they would
25 have had to do that.

1 I don't think it's necessary to
2 list them all, no, I don't. I think that if you
3 had to produce them, I think they could be
4 produced. I mean, that would be my personal
5 knowledge or opinion.

6 Q. Do you consider it reasonable that
7 the Defendants in this action having been sued
8 for some thirty millions dollars on the face of
9 the complaint would be forced to rely upon the
10 audited financial statement as it relates to
11 solvency issues without the benefit of review of
12 any of the underlying documents?

13 A. I don't have an opinion about
14 that. I think that the testimony of the
15 auditor is, his credibility or the firm's
16 credibility, whatever, but I don't have an
17 opinion on that.

18 Q. Again, relating to the question
19 which I asked which was your reliance upon
20 issues of solvency of the corporation, if you
21 look at page three, for example, of this
22 financial statement, wouldn't you agree with me
23 that it would be fair for a Defendant in a
24 thirty million dollar lawsuit that relates to
25 solvency to be able to see some sort of

1 breakdown regarding some 14 million dollars in
2 general and administrative expenses that are set
3 forth in the financial statement?

4 A. My personal opinion?

5 Q. Yes? Well, your opinion is being
6 asked as a corporate representative of The
7 Harris Organisation?

8 A. I think it would be fair if this
9 wasn't an audited statement and the auditors
10 didn't have to stand up to what they put down.

11 Q. Okay. On page seven there are
12 values set forth to the tune of some thirty nine
13 million dollars of investments. Same question?

14 A. Uh-huh.

15 Q. The documents and underlying
16 information regarding that value, you don't
17 think in fairness should be something that a
18 Defendant would be able to evaluate?

19 A. Same answer.

20 Q. Any Defendant or this Defendant
21 should just rely upon the fact that they are
22 audited financial statements?

23 A. Yeah.

24 Q. Now, these are the first audited
25 financial statements ever in the history of The

1 Harris Organisation by your own testimony, I
2 believe, correct?

3 A. Correct. First year of operation
4 for et Cie.

5 Q. So absent this particular audited
6 financial statement then there, it would be
7 appropriate perhaps, perhaps just give me
8 perhaps, to have some additional documents for a
9 Defendant that wanted to evaluate the solvency
10 of a corporation to review?

11 A. I will give you perhaps.

12 Q. Is it your belief then that as
13 part of creating this audited financial
14 statement that this entity and/or individual,
15 and I am referring to the CPAs in Panama --

16 A. Uh-huh.

17 Q. -- Audited all of the referenced
18 entities within the financial statement?

19 A. I don't have an answer for that.

20 Q. Would you think that they should
21 have audited all of those entities in order for
22 this document to be credible?

23 A. Any entities that, that in fact
24 conduct business and we discussed in my
25 testimony before the La Firma de Marc M. Harris,

1 Nicaragua doesn't do anything, they are just
2 there, doesn't have any function. It is there
3 for the future, but if they draw everything and
4 audited under one auspices of Marc M. Harris et
5 Cie., to me in my mind. And I am not an
6 accountant, it accomplishes the same thing.

7 Q. So I take it then that you would
8 disagree with a proposition that it is
9 unreasonable for you to have refused to produce
10 any of the underlying documents which led to
11 this audited financial statement?

12 A. Say the question again, Jay.

13 Q. Do you think it is reasonable that
14 you refused to produce any of the underlying
15 documents regarding this financial statement?

16 A. Being more specific, which
17 particular areas are we talking about?

18 Q. Well, there was a blanket refusal
19 to provide any documents and specifically,
20 albeit broad, the request was twofold.

21 I believe one of the requests was
22 all documents referring to Plaintiff's financial
23 status for the past five years including, but
24 not limited to balance sheets, investment
25 reports, and all underlying documents supporting

1 the figures contained in the financial
2 statements.

3 I think your response was -- I
4 don't think, your response was consolidated
5 financial report dated 12-31-97. So your
6 response was take the consolidated financial
7 report.

8 The next question, produce all
9 documents, statements, memos, correspondence
10 utilized in the preparation of the documents
11 referred to in paragraph five stated before.

12 And the response was, the request
13 is overly broad and vague, it is impossible for
14 the Plaintiffs to respond. It's unduly onerous
15 and burdensome for the Plaintiffs to produce the
16 limited documentation which was requested.
17 Fair to say you refused to produce any documents
18 that led to the consolidated financial statement
19 dated 12-31-97?

20 A. That is my answer.

21 Q. And then I have to take it that
22 you are going to say that it is reasonable for
23 you to refuse to produce any documents for the
24 financial statement or that serve as a basis for
25 the financial statement?

1 A. No, that particular question asked
2 for, as the answer says, an extremely broad
3 base. Might even take a truck to get them here.

4 Q. It might. But it also could have
5 been produced here with our documents A through
6 Z which we believe reasonably satisfy the
7 request and at least we are provided with
8 something?

9 A. Could have been.

10 Q. So in essence what you have done
11 is made a statement to the Defendants that they
12 should blindly trust this consolidated audited
13 financial statement, correct?

14 MR. STRIP: I would object to the
15 categorization of what he has said. I
16 think, and I don't want to testify for him,
17 but I think what he said is what is in the
18 interrogatory, burdensome, onerous.

19 BY MR. GUARCH:

20 Q. Okay. Well, consider this, if you
21 will, and Mr. Strip can participate in this for
22 purposes of our ongoing efforts to resolve
23 matters.

24 As the required discussion
25 concerning resolution of discovery disputes

1 prior to filing motions with the court, and I am
2 going to ask you whether you will produce
3 documents that you believe are reasonable as it
4 relates to the request for the underlying
5 documents leading to this financial statement,
6 and documents upon which then you can
7 comfortably state are fair to rely upon in
8 reaching this consolidated financial statement.

9 MR. STRIP: I don't want to
10 interrupt, so go ahead.

11 BY MR. GUARCH:

12 Q. No, I may be out of line, and we
13 can come back to it at the end of the record. I
14 do want you to participate because I just want
15 -- I am trying to expedite the issue.

16 MR. STRIP: Okay, let me help
17 you. It is no secret that counsel in any
18 case assists the client in the preparation
19 of the answer.

20 Jay, I have been there and we have
21 146 people in our employ. To have followed
22 your request, I think Larry is probably
23 conservatively saying that it would require
24 a truckload. Might require boat load of
25 stuff and downloading probably 140

1 computers. Literally, I think, I mean,
2 there are thousand of transactions a week.
3 I hope I am stating it right.

4 THE WITNESS: Yes.

5 MR. STRIP: If at the end today's
6 session you want to talk about our producing
7 a volume of stuff that would make sense to
8 you and me, put yourself in my shoes, we'll
9 cooperate as we have in the past.

10 But the question as phrased, Jay,
11 the last five years -- I mean, oh, we are
12 talking about maybe truckloads or if not a
13 semi load, literally.

14 MR. GUARCH: But for the record,
15 and I would ask Mr. Court Reporter to
16 somehow identify this if he could so we
17 could maybe have an excerpt --

18 MR. STRIP: Yes.

19 MR. GUARCH: Rule 34 of the Federal
20 Rules of Civil Procedure require that a
21 party produce documents for inspection and
22 shall produce them as they are kept in the
23 usual course of business or shall organize
24 and label them to correspond with the
25 categories in the request.

1 MR. STRIP: Uh-huh.

2 MR. GUARCH: The response to the
3 request for production was, you get
4 nothing. It wasn't it's overly burdensome
5 to label them and produce them, so therefore
6 you are entitled to look at them as they are
7 kept in the normal course of business.

8 There are two options as it
9 relates to this request, and my question is
10 prior to filing a motion to compel wherein I
11 have to certify that I have made a good
12 faith attempt to resolve this dispute --

13 MR. STRIP: Right.

14 MR. GUARCH: -- Which exists --

15 MR. STRIP: Uh-huh.

16 MR. GUARCH: Is there something
17 that can at this point be discussed, albeit
18 out of order and albeit out of place as it
19 relates to this, but I think it is
20 admittedly a relevant issue?

21 MR. STRIP: You are absolutely
22 right, there is no question. Again, we
23 responded to the request.

24 I can approach it this way. If
25 you would like to visit us on site, and I

1 don't know that you need your client there
2 or not, but I understand the sensitivity to
3 this and I am not being cute, we will do our
4 darndest to be hospitable and give you a run
5 of the place and maybe we can direct you to
6 it.

7 MR. GUARCH: But you know that
8 that is going to lead to the whole issue of
9 the inability of Mr. Marchant to participate
10 in the defense of this thirty million
11 dollars libel case because he has been --

12 MR. STRIP: I just said that. I
13 just said I am sensitive to the issue.

14 The other issue is, if you want to
15 change your questions, albeit the discovery
16 time and all of that --

17 MR. GUARCH: No, what I want you
18 to do is to produce what you believe to be
19 reasonable which you have failed to do in
20 your response.

21 MR. STRIP: That is not what the
22 question asked. The question specifically
23 asked for all transactional notes, memos,
24 bap, bap, bap, bap.

25 MR. GUARCH: I will let it go at

1 this. I believe that a good faith response
2 says, that is unduly burdensome, it's
3 onerous, we object. Notwithstanding the
4 objection we produce the following is what I
5 do as a practice in my response to discovery
6 and what I would anticipate, and I am not
7 suggesting bad faith, don't get me wrong on
8 this, but I would anticipate would have been
9 done should there have been a reasonable
10 effort made to respond to this request.

11 Which, last statement I have to
12 make, could not be more relevant as it
13 relates to the issues.

14 MR. STRIP: I absolutely agree to
15 the relevance. I had not considered taking
16 your question and changing it in a manner as
17 you suggested, which perhaps I should have
18 considered, but I didn't. I'll accept the
19 responsibility.

20 I took the question, looked at it,
21 talked to the client and said, oh, my gosh,
22 and basically in my own vernacular there is
23 no way.

24 I will reconsider the question in
25 light of the way that you posed it. I will

1 make a note along with the other things and
2 I don't know that we can provide it in a
3 reasonable quantity to satisfy your request,
4 but I can check and see, for example, what
5 kind of work papers we have, et cetera, and
6 I will get back to you on it.

7 MR. GUARCH: Doesn't matter much,
8 I just thought that the line of questions as
9 to reliance is really what I am going to and
10 a reasonable expectation on behalf of Mr.
11 Gandolfi that Mr. Marchant and his entity
12 rely upon nothing more than a consolidated
13 financial statement.

14 MR. STRIP: I also, for whatever
15 it's worth, maybe something or maybe
16 nothing, would use the same response that
17 you used yesterday in putting on the table
18 and saying, but wait a minute, what is
19 relevant is whether or not they were solvent
20 or Ponzing, if there is such a verb, in
21 March of 1998 when the article was written.
22 A financial statement which was published
23 long after the article was written and upon
24 which the Defendant didn't rely, I am not
25 sure is terribly relevant.

1 The financial condition is
2 relevant, but whether the statement is
3 relevant, I don't know. You hear what I am
4 saying?

5 MR. GUARCH: Oh, I do hear you and
6 in fact I agree with you, but I can't help
7 but point out that this is a document that
8 has been provided by the Plaintiffs in
9 support of their case.

10 MR. STRIP: Right.

11 MR. GUARCH: And that is what led
12 to this questioning to start with, which was
13 exactly how it would support their case as
14 it relates to what they claim were libelous
15 and defamatory statements.

16 MR. STRIP: Let me make a note,
17 can we produce supporting info in a sensible
18 quantity in response to -- Which question
19 was it?

20 MR. GUARCH: Well, I mean, --

21 MR. STRIP: Production of
22 documents.

23 MR. GUARCH: The question is
24 really, the issue really is -- Let me just
25 ask you to deal with the issues where that

1 is your answer, your plea throughout the
2 responses to the request for production and
3 this is my good faith effort to resolve the
4 dispute.

5 Unfortunately in the middle of Mr.
6 Gandolfi's depo, but --

7 MR. STRIP: I will get back to you
8 on this.

9 (Discussion off the record.)

10 BY MR. GUARCH:

11 Q. Mr. Gandolfi, I note also within
12 documents produced to us that there are drafts
13 of financial statements for Havana Holdings and
14 Latin American Real Estate Company and
15 subsidiaries.

16 Your previous testimony was that
17 there are no audited financial statements for
18 those entities or any others other than et Cie.

19 A. They are not part of the Harris
20 Organisation.

21 Q. Right. But they are in fact a
22 basis for the assets that are identified by the
23 financial statements?

24 A. I can't answer that.

25 Q. Okay.

1 A. I would think that whatever we
2 might hold of that security might be part of
3 this financial statement, but other than that it
4 is a separate living and breathing thing, each
5 of them.

6 Q. Could you identify for me on page
7 seven of the financial statement in what
8 category holdings that you may have would be,
9 and I am referring, for example, holdings as
10 Havana Holdings Inc.?

11 A. Venture capital and private
12 placement is where I would think that they would
13 be.

14 Q. Okay.

15 A. I would think that would be the
16 category where they were put in. Can we go off
17 the record here a minute?

18 A. Sure.

19 (Discussion off the record.)

20 BY MR. GUARCH:

21 Q. Let's go back on the record. Your
22 response to the Defendant's request for the
23 documents referring to Plaintiff's financial
24 status for the past five years including, but
25 not limited to balance sheets, investments

1 reports and underlying documents supporting the
2 figures contained in the financial statement was
3 consolidated financial report dated 12-31-97.

4 A. Yes.

5 Q. Do you consider that to be
6 responsive to the request? You know what,
7 strike it. I don't expect you to say it's not
8 responsive. It is an issue that obviously needs
9 to be dealt with through us alleging that it is
10 not.

11 A. Good.

12 Q. I have a couple of questions about
13 this and we'll move on. I need to reconcile,
14 Mr. Gandolfi, some testimony.

15 To your knowledge does the Harris
16 Organisation reconcile their bank accounts on a
17 monthly basis or some semblance thereof?

18 A. Yes, sir.

19 Q. So I take it then if I ask you
20 specifically with regard to question number nine
21 which reads, "All documents pertaining to the
22 reconciliation of all Plaintiff's accounts for
23 the past five years," your response being
24 substantially in the same form as previously
25 referred to, the reason is because you read that

1 to be not just reconciliations for the accounts,
2 but all documents that may at all have related
3 to any possibility of, so again it's the same
4 sort of principle instead of providing us
5 reconciliations, you --

6 A. Yes.

7 Q. -- You said that it is overly
8 broad, vague and therefore we give you nothing,
9 okay.

10 The next question reads, "All
11 documents, memos, correspondence indicating the
12 names and types of all investments made by or on
13 behalf of Plaintiffs during the past five
14 years."

15 The response to that reads, "only
16 three investments currently held by the Marc H.
17 Harris Trust Company Limited, hyphen two shares
18 of Team Communications Group, 11,127 shares of
19 El Misty Gold, five thousand shares of TDX,
20 Gold, Inc.," and it states neither the firm of
21 Marc M. Harris, Inc. or Marc M. Harris et Cie.
22 hold investments of their own, open parenthesis,
23 other than Marc M. Harris et Cie. subsidiaries,
24 all investments shown in the consolidated
25 financial statement are held by affiliated

1 companies?

2 A. Correct. So we take the mud off
3 of that for you, those are held in trust for
4 clients, but that is what is in the Marc M.
5 Harris Trust Company at this time.

6 They are not necessarily assets of
7 the Marc M -- of The Harris Organisation, let's
8 call it that, okay.

9 We do not commingle funds. Marc
10 M. Harris Trust Company holds client's funds for
11 dispersal into other investments or can even
12 hold some of the investments. Panaclear is
13 another one that --

14 MR. STRIP: One word, Panaclear.

15 THE WITNESS: Panaclear is another
16 one that holds --

17 BY MR. GUARCH:

18 Q. But the response that was provided
19 to us was limited to the three named
20 Plaintiffs.

21 A. Uh-huh.

22 MR. STRIP: That was the question,
23 wasn't it? Again I take responsibility for
24 that.

25 MR. GUARCH: I understand.

1 MR. STRIP: Okay, because we
2 anguished over that one, frankly. Anguish
3 is too strong a word. We contemplated that
4 question.

5 BY MR. GUARCH:

6 Q. If this response was as it relates
7 to the three named Plaintiffs, I would ask you
8 to show me in the article that serves as the
9 basis for this lawsuit where these Plaintiffs
10 are named and libeled and defamed?

11 A. But I think we covered this under
12 my testimony the other day, went over The Harris
13 Organisation, what it was, what Mr. Marchant's
14 meaning was and The Harris Organisation, and I
15 think we got that pretty well understood or at
16 least I understood it, okay.

17 Q. I thought so, too, until I read
18 the response to question number ten of the
19 request for production which was not as --

20 MR. STRIP: Let him ask the
21 question.

22 BY MR. GUARCH:

23 Q. Which was not as it related to The
24 Harris Organisation, but limited to the three
25 named Plaintiffs.

1 So I would ask you what is it
2 going to be, three named Plaintiffs for purposes
3 of convenience when necessary and all of the
4 entities for purposes of convenience when
5 claiming that they were libeled and defamed,
6 because I don't see, and I could have missed it,
7 but I don't see reference to any of the three
8 named Plaintiffs in this article.

9 In fact, would you agree with me
10 that this article in large part makes reference
11 to Mr. Harris personally who chose not to bring
12 a lawsuit personally?

13 A. No, I wouldn't agree with that.
14 What was the question that we answered there?

15 Q. The question was that you are not
16 telling us because it's held in the affiliated
17 companies?

18 A. No, no, what was the question that
19 we answered.

20 Q. Oh, I apologize. The question
21 was, "All documents, memos, correspondence
22 indicating the names and types of all
23 investments made by or on behalf of Plaintiffs
24 during the past five years."

25 A. That was a true answer at the time

1 to that question. We have in my previous
2 testimony which is last week -- that may have
3 been prepared by that time. Last week we had
4 discovered or we had discussed The Harris
5 Organisation being -- In fact, you even put a
6 definition into the record and we all agreed to
7 it.

8 Q. Uh-huh?

9 A. Do you remember that, A.C.?

10 MR. STRIP: Uh-huh.

11 THE WITNESS: So --

12 BY MR. GUARCH:

13 Q. All right, so, and I am not trying
14 to -- I am not trying to find a smoking gun that
15 makes you into a flaming liar, Mr. Gandolfi,
16 believe me, I am not, and you know that, but
17 then I guess the point is that this document
18 simply was not amended and, you know, really
19 this is a lawyer's document, I understand that,
20 too, as you made reference, it wasn't amended
21 appropriately before it was sent to us. Is that
22 a fair summary of what you would say?

23 A. Yes, I mean, if we were going to
24 say The Harris Organisation, that question was
25 answered and that is what the answer was to that

1 question.

2 Q. I mean, because you realize this
3 was sent to me after your deposition last week,
4 right?

5 MR. STRIP: I don't know if it was
6 or not.

7 MR. GUARCH: Well, it is dated
8 March the 22nd.

9 MR. MARCHANT: When they brought
10 the complaint they are referring to all of
11 the companies and when they answered the
12 questions you are referring to three.

13 MR. STRIP: That is true. But it
14 wasn't to be cute, it was that we, again,
15 contemplated and I really thought you wanted
16 to know what the three named Plaintiffs had.

17 MR. MARCHANT: We all know I think
18 --

19 THE WITNESS: No, no, no. We had
20 a long discussion.

21 MR. MARCHANT: We all know exactly
22 what is going on.

23 MR. STRIP: We had a long
24 discussion on it.

25 MR. GUARCH: David always likes to

1 ask the next question which is the one that
2 you don't need to ask, when you brought the
3 lawsuit you didn't intend to bring it in the
4 name of all of the entities, only of the
5 three entities.

6 THE WITNESS: That's right. But
7 we had a long discussion.

8 BY MR. GUARCH:

9 Q. And I would back then in light of
10 that. That is right, right?

11 A. Well, I mean et Cie. is the --

12 MR. STRIP: Is the parent.

13 THE WITNESS: Is the parent, okay,
14 but et Cie. has no investments, I mean, so
15 it is not --

16 BY MR. GUARCH:

17 Q. But the question --

18 A. It wasn't a trick question or a
19 trick answer, okay, Jay.

20 MR. STRIP: It really wasn't. We
21 wondered, Paul and I, and I can't remember
22 who else, were on the phone and we said,
23 what does Jay really want and we came to the
24 conclusion, honestly -- it wasn't like let's
25 play a trick on Jay and just answer those

1 three Plaintiffs.

2 (Discussion off the record.)

3 MR. STRIP: We answered it the way
4 that we thought you really wanted to ask the
5 question.

6 MR. GUARCH: We are asking
7 questions that we probably shouldn't ask
8 because they don't really benefit us to ask
9 them, you know, but, I mean --

10 MR. STRIP: You are not hearing
11 me.

12 MR. MARCHANT: I am hearing you
13 load and clear.

14 BY MR. GUARCH:

15 Q. I take it that then what you are
16 saying is that under the heading of investments
17 in the financial statement you identify types of
18 investments, but you don't identify the entity
19 that holds it.

20 A. I would agree with that.

21 MR. STRIP: I would agree, yes.

22 BY MR. GUARCH:

23 Q. And do you as a layman consider
24 that to be within generally accepted accounting
25 principles of either Panama --

1 A. For a holding company, as a
2 layman, yeah, I mean, because I am a layman.

3 Q. I wish I could ask you as a CPA,
4 but I can't.

5 A. Yes.

6 Q. And as a corporate representative
7 here on behalf of the Plaintiffs?

8 A. I again have to say that I am sure
9 that the auditor did what is accepted in general
10 accounting procedures in Panama because he is
11 the auditor and they don't use CPAs and, you
12 know, whatever.

13 Q. Okay.

14 A. And he would have the answers.

15 Q. I really don't want to get
16 involved in a knock them down drag them out over
17 discovery issues.

18 MR. STRIP: Agreed.

19 BY MR. GUARCH:

20 Q. But I am struggling greatly with
21 how I can reconcile the need to have discovery
22 so that I can be diligent as a lawyer?

23 MR. STRIP: Tell me --

24 BY MR. GUARCH:

25 Q. I mean, I appreciate that Mr.

1 Gandolfi defers to the CPA that certified this
2 financial statement.

3 A. Is it not true that you can depose
4 him?

5 Q. It is true that under the Federal
6 Rules without the court altering them in its
7 discretion I could travel to Panama, I believe.
8 I don't sit here suggesting that there is any
9 danger to me by traveling to Panama.

10 A. Or him.

11 Q. Well, I don't think that Mr.
12 Marchant can or should be put in a position to
13 determine whether this criminal action that has
14 been brought against him in Panama will prohibit
15 him from traveling to Panama.

16 But I am trying not to -- And
17 maybe I am a fool because maybe I ought to throw
18 it in front of Judge Moore to try to taint you
19 guys more than we already are trying to in the
20 scope of what we are doing, but I am in good
21 faith trying to avoid doing that.

22 I mean, because it is expensive,
23 because it is, I think, hopefully unnecessary,
24 but I don't have anything. I know that we
25 talked about it and I know you are here and you

1 haven't been home in two weeks, but -- and I am
2 referring to Mr. Strip as I say I know and I
3 know and point at him, but, you know, we need to
4 in very short order determine whether we can
5 come to some sort of agreement, you know, or
6 not. Because I can't have you refer to someone
7 as the basis for your action, as you are
8 appropriately, I understand that -- maybe I
9 don't agree with it, but I understand it, and
10 then be prohibited from deposing that
11 individual.

12 So I leave it as just food for
13 thought.

14 MR. STRIP: I have got a note and
15 I'll give you an answer.

16 BY MR. GUARCH:

17 Q. That is that. I am going to jump
18 through this. These documents speak for what
19 they are. If you are paraphrasing, the reality
20 of the matter is that lawyers prepared this
21 pleading, probably not even you, A.C.,
22 probably --

23 MR. STRIP: They're not involved.
24 We have house counsel in Panama. We have
25 three attorneys on payroll, and to a large

1 extent they prepared them in Panama.

2 MR. GUARCH: Okay.

3 MR. STRIP: I am unfamiliar with
4 some of the information.

5 BY MR. GUARCH:

6 Q. Well, for example, let me just
7 make reference to paragraph F, Mr. Gandolfi.

8 I think it's fair to say that you
9 didn't participate in the preparation of the
10 wording of this lawsuit, is that a fair
11 statement?

12 A. That is a fair statement.

13 Q. So my point is that I think this
14 will all come out in the wash. I don't want to
15 beat you up on wording.

16 "The only things sustaining the
17 alleged scheme were funds being invested by
18 clients of the third parties here in the United
19 States." It is fair to say that that is not
20 what the article says, correct?

21 A. Jay, as many times as I have heard
22 that line and as many times as I have read it,
23 that is what it says to me. And to anyone that
24 I have tried it out on, the vast majority of
25 which came from.

1 Q. Well, that is a little different
2 than the only things sustaining the alleged
3 scheme, isn't it?

4 A. Well, the vast majority --

5 Q. I don't want to debate this. I
6 just like the fact that you just supported it.
7 I would have walked away from it. That is a
8 statement, not a question.

9 No problem, let's move on. I
10 don't want to -- Let me see if we can move on.
11 We do have who owns the preferred shares in Marc
12 M. Harris et Cie. Is my memory correct that the
13 beneficial owners of the entities that own the
14 preferred shares is deemed to be proprietary or
15 secret?

16 A. Yes.

17 Q. And that it would be violative of
18 Panamanian law, so therefore you can't tell me?

19 A. Correct.

20 Q. I note in the final version of the
21 interrogatories that there is no reference -- It
22 doesn't really matter. And I think that I
23 asked you before whether The Harris
24 Organisation, we are back to the generic term,
25 is not a Defendant in any action anywhere that

1 you know of, correct?

2 A. No, the actions are listed.

3 MR. STRIP: He said Defendant.

4 Are we being sued?

5 THE WITNESS: Oh, Defendant did
6 you say?

7 MR. STRIP: Yes?

8 THE WITNESS: No, we are not a
9 Defendant.

10 MR. STRIP: I think
11 interrogatories asked for are you a party to
12 a case.

13 THE WITNESS: Party to, yes.

14 (Discussion off the record.)

15 BY MR. GUARCH:

16 Q. We talked a little bit about this,
17 but in reviewing the interrogatories when I
18 finally got them, this is a mailing and general
19 mailers to parties that are sent out that
20 inquire about services provided by The Harris
21 Organisation, correct?

22 A. Correct.

23 Q. And The Harris Organisation deems
24 it appropriate to send mailers to someone in the
25 United States that inquires about services?

1 A. Yes.

2 Q. There is nothing wrong with that.

3 A. Yes.

4 Q. And does so --

5 A. Yes.

6 Q. -- As requested?

7 A. Yes.

8 Q. Why doesn't Marc Harris bill for
9 his time? I am curious about that. I read this
10 article and this can be --

11 (Discussion off the record.)

12 THE WITNESS: Why doesn't Marc
13 Harris bill for his time?

14 BY MR. GUARCH:

15 Q. It says, generally speaking he
16 doesn't bill for his time.

17 A. He doesn't.

18 Q. In a few exceptional cases he has
19 billed for rates up to five thousand dollars.
20 It's true, though, that within your damages
21 compilation there are some Marc Harris billed
22 time that serve as the basis for your damages,
23 correct?

24 A. Yes, uh-huh.

25 Q. Can you give me example of the

1 time, of a time that Marc Harris has billed
2 dealing with Mr. Marchant? What has he done?

3 A. To the best of my knowledge he
4 doesn't bill.

5 Q. You weren't involved in the
6 preparation, I take it, of the financial
7 statements in anyway?

8 A. No.

9 Q. Nor was Mr. Harris?

10 A. No, not to my knowledge.

11 Q. I would like to ask you just in
12 general or a couple of questions about the
13 paid-in capital.

14 I need to be sure that I
15 understand as best as you know the financial
16 statement. Am I reading properly when I look at
17 page eight and I see share capital that in
18 effect what is being said here is that et Cie.
19 has share capital of 19 million and then the
20 three entities that are right under et Cie.,
21 those respective funds to the tune of 47 million
22 dollars?

23 A. That is correct.

24 Q. Not -- There is no reflection of
25 ownership there in anyway.

1 A. No, no.

2 Q. In other words, --

3 A. No.

4 Q. These, the three entities above et
5 Cie., and specifically on page eight under share
6 capital are subsidiaries of Harris et Cie.,
7 correct?

8 A. Yes. That is actual paid-in
9 capital.

10 Q. In 1997?

11 A. 1997.

12 Q. And prior to 1997 there was no
13 activity?

14 A. No, no, it was formed on, I forget
15 the month in '96, mid- '96 somewhere and went
16 into operation.

17 Q. What was it before?

18 A. What was what before?

19 Q. Was there a corporate
20 restructuring?

21 MR. MARCHANT: There was a holding
22 company.

23 THE WITNESS: There wasn't a
24 holding company before.

25 BY MR. GUARCH:

1 Q. The Harris Organisation as we
2 referred to it was just a hodge-podge of
3 entities?

4 A. Exactly.

5 MR. STRIP: I don't know about
6 hodge-podge, but a multiple number.

7 THE WITNESS: Yes. We know what
8 the intent was.

9 BY MR. GUARCH:

10 Q. The number, for example, of 21
11 million 990 thousand under Harris Holdings,
12 Inc., is that of Harris Holdings, Inc. and the
13 entities that come under it, is that what is
14 intended to the best of your knowledge by the
15 representations of the statement?

16 A. All of this is et Cie. If it is
17 all from Harris Holdings and what is under it is
18 nothing or -- And I don't know what is under
19 Harris Holdings, you've got that chart here.

20 Q. Here it is.

21 MR. STRIP: All of this is Harris
22 Holdings excepting that.

23 THE WITNESS: Yes, that moved over
24 here.

25 MR. STRIP: Yes.

1 THE WITNESS: Yes, I am going to
2 answer that to the best of my knowledge that
3 is -- You are correct in your assumption.

4 BY MR. GUARCH:

5 Q. So that the financial statement
6 stopped short of the detail on the next level
7 down of subsidiaries, it actually details the
8 first level of subsidiaries of et Cie., is that
9 correct?

10 A. Yes.

11 Q. Do you know what the Harris
12 Organisation has in New York?

13 A. No.

14 Q. Do you know why The Harris
15 Organisation chart shows New York?

16 A. Probably a correspondent up
17 there. It could be, it could be one of our
18 brokers.

19 Q. I take it that you don't know what
20 the method of valuation is as it relates to
21 these assets?

22 A. Some I do, yes. If we are talking
23 about it, and let me try to make it easy.

24 MR. STRIP: Just to go back to
25 clean up this.

1 THE WITNESS: Brokers in New York.

2 MR. STRIP: That is on page 7,
3 Jay, there is a reference to brokers in New
4 York.

5 MR. MARCHANT: I don't think they
6 are around any longer, so --

7 MR. STRIP: I don't know.

8 MR. MARCHANT: I don't know if the
9 match relates to now.

10 THE WITNESS: No.

11 MR. STRIP: It is an old chart,
12 but I am just -- I am guessing, I don't
13 know. But he mentioned the New York.

14 BY MR. GUARCH:

15 Q. We were back to an explanation on
16 how the valuations are done?

17 A. The valuations on investments
18 which are traded are from Bloomberg right off
19 the screen, okay.

20 Real estate, the real estate is on
21 a comp basis which means that buildings in the
22 area of the same type construction, have a
23 square meter range of twenty-five to thirty
24 dollars a square meter and those are just
25 numbers, those are not accurate numbers, and so

1 you comp yourself in that range.

2 Q. Would that come under apartments?

3 A. Yes.

4 Q. How would brokers in New York have
5 a market value of \$5,735,451?

6 A. That would be investments that we
7 had with the brokers.

8 Q. Reference being made to a broker
9 who is --

10 A. Yes, a broker who holds our
11 investments.

12 MR. MARCHANT: Not client's
13 investments, The Harris Organisation?

14 THE WITNESS: Yes, our liability
15 to clients in this thing -- Let's look, if
16 you want let's look at the financial
17 statement a little better, because I do
18 have --

19 BY MR. GUARCH:

20 Q. Please.

21 A. In the essence of making it easy,
22 okay, and that is what I want to do; okay?

23 Q. Please do.

24 A. I have some with notes on it. I
25 don't have any problem with this.

1 MR. STRIP: It is your call.

2 BY MR. GUARCH:

3 Q. I can go here and ask line by

4 line?

5 A. Yes, that is just what we are

6 trying not to do.

7 Q. Well, that is pretty much what is

8 left to do, so if we can expedite that?

9 MR. STRIP: Is there a question so

10 I can, or do you want him to ramble all over

11 the place?

12 BY MR. GUARCH:

13 Q. He can ramble. By all means

14 ramble.

15 A. Well, let's go for -- Let's get a

16 direction.

17 MR. STRIP: As lawyers you can say

18 you can do a narrative explanation, better

19 than ramble.

20 THE WITNESS: For example, let's

21 go back to where you were. Where do you

22 want to go?

23 BY MR. GUARCH:

24 Q. Well, let's run through it. Cash

25 and cash equivalent has a note three.

1 A. Yes.

2 Q. Note three is broken down into

3 petty cash. I believe that is relatively

4 self-explanatory?

5 A. Yes.

6 Q. Cash in hand I assume is cash in a

7 bank?

8 A. Uh-huh.

9 Q. And restricted funds --

10 A. That will be the, that will be the

11 money that is sequestered by Boutin.

12 Q. Okay.

13 A. And so that becomes ours at the

14 end of the trial which June the 9th is when it

15 starts, so -- you know, they wouldn't start it

16 before the election.

17 Nobody was going to get in this

18 political hot topic before the election, all

19 right.

20 Q. So that comes out to \$8,467,045?

21 A. Where are we?

22 Q. Right the the top under assets?

23 A. Okay.

24 Q. That is that breakdown. Accounts

25 receivable --

1 A. Okay.

2 Q. There is a subscription receivable
3 figure of four million dollars?

4 A. Okay, that was in this time an
5 investor and/or director subscription to purchase
6 shares in et Cie. which basically was the Robin
7 Baily deal that then got unwound. So that
8 became later unwound. But that is what that is,
9 okay.

10 That was Larry Abraham and Robin
11 Baily when Trust Services became -- the deal
12 with Trust Services was in place. And that was
13 being paid in cash and assets and was paid later
14 through buyouts. In other words, the whole, the
15 structure changed after the fact, okay.

16 Q. Okay, so that deal was unwound?

17 A. Unwound, yes.

18 Q. That receivable doesn't exist?

19 A. Well, but the -- But then the
20 stock.

21 Q. It did then?

22 A. It did then, but then the stock
23 came back, so it was just, you know.

24 MR. STRIP: It was a
25 cancellation.

1 THE WITNESS: A cancellation of a
2 situation, okay.

3 BY MR. GUARCH:

4 Q. Okay, your employees have been
5 loaned almost forty thousand dollars?

6 A. Yes, we have a policy, Jay, and
7 the policy is that any employee can borrow up to
8 one month's salary for whatever they want do
9 with it. We recover it at some nominal rate.
10 Some of it, of course, as you know probably
11 might not get recovered.

12 Q. Employee doesn't come back?

13 A. Right, the book story.

14 Q. The next line is investments that
15 refers to note five and it has then the list of
16 investments. I wonder if we might --

17 A. Now, these are, these are -- these
18 are all the investments that we held. Some of
19 those, okay, will be held for clients and not
20 when you go over to the liability we see 17
21 million dollars worth of liabilities, that is
22 roughly eleven million in investments and six
23 million in cash for clients.

24 If you go back to -- I'll give you
25 a page here in a second. Back to page two,

1 current long term liabilities, note seven.

2 MR. STRIP: Page two?

3 THE WITNESS: Page two, yes.

4 BY MR. GUARCH:

5 Q. Yes, \$17,550,297?

6 A. Yes.

7 Q. Which actually makes reference to
8 note seven on page eight?

9 A. Uh-huh.

10 Q. Third World Holdings is a
11 liability of \$15,956,557. What is that?

12 A. Those are clients' funds.

13 Q. And Harris Holdings, Inc. is the
14 same?

15 A. Yes, those are the liabilities to
16 clients. And if you go down on the --

17 Q. The properties, equipment and
18 improvements is pretty much explanatory and it's
19 detailed as basically the office
20 infrastructure.

21 What is equity in the amount of
22 \$9,703,000 composed of?

23 A. Okay, that is composed of
24 intellectual properties, copyrights, software,
25 software development, mailing lists, all of that

1 falls under the category of intellectual
2 property.

3 Q. If you know how is that valued?

4 A. I don't know the answer to that.

5 Q. A bit repetitive perhaps, but
6 hopefully not too much, down to the share
7 capital, 47 million dollar number?

8 A. Yes.

9 Q. And then referring to note eight,
10 on page eight --

11 A. Yes. That is twenty, and these
12 are around numbers, we are not dealing in --
13 That is roughly 28 million in preferred
14 investments in cash; okay. Preferred shares,
15 and twenty million in the et Cie., which came in
16 in the way of cash, securities, furniture,
17 fixtures, real estate, whatever.

18 Q. Cash?

19 A. Some cash, yeah. Cash and assets.

20 Q. Service income I take it is for
21 the sale of corporations, structuring of banks?

22 A. What page are we on?

23 Q. Next page, page three?

24 A. Well, that is annual fees, you
25 know, for nominees, okay, tax preparation,

1 administrative fees, safe custody and the annual
2 renewal fees for corporation.

3 MR. STRIP: Would it include
4 commissions?

5 THE WITNESS: No.

6 BY MR. GUARCH:

7 Q. Mark to market profits of
8 securities, I think in a publicly traded
9 security would be readily evident?

10 A. Yes.

11 Q. Do you know what valuation is done
12 for any in-house security?

13 A. I do not, but -- We had the mark
14 to market I think on the back.

15 MR. STRIP: That is on page seven,
16 Jay.

17 MR. STRIP: You have the historic
18 cost and the market value, that is the mark
19 to market.

20 THE WITNESS: The market value is
21 the mark to market.

22 BY MR. GUARCH:

23 Q. Okay. The general and
24 administrative expenses we have talked about
25 before, the details of which obviously you don't

1 have?

2 A. That is all -- you know, G and A
3 is G and A. I mean, it is paid telephone,
4 insurances, office rent and on and on and on,
5 part of the general administrative expenses.

6 Q. Perhaps lastly, Mr. Gandolfi, on
7 page seven could you run down that list of
8 investments and see if you could just explain
9 them to me and --

10 A. Okay, and this is to the best of
11 my ability.

12 Q. Uh-huh.

13 A. And I don't -- Venture capital and
14 private placements are what we would hold in
15 venture capital deals or the total amount that
16 we hold in house and we understand at the end of
17 this column of number, the 39 million, roughly
18 eleven million of that belongs to clients and
19 gets reflected back in the 17 million, okay.
20 And 28 million is the firm's.

21 St. John de Nord (phonetic) is an
22 investment company that holds marketable
23 securities in the -- It has now become again one
24 hundred percent property of the firm here
25 because of the winding and unwinding of the two

1 previous deals. That was put into et Cie. as
2 part of the share capital.

3 Mutual funds, we have daily NAV
4 values. That would be the NAV value on the
5 day. Warrants are warrants that we hold on
6 publicly traded securities that are also
7 traded.

8 I think that you -- you know what
9 a warrant is.

10 Q. Yes.

11 A. Okay.

12 Q. Well, why don't you explain it to
13 me, because I may not know what you think I know
14 or something like that?

15 A. All right, I understand.

16 MR. STRIP: You may not know what
17 a mutual fund is.

18 THE WITNESS: Let's take a real
19 example. Let's take Haliburton Oil
20 (phonetic), okay. When Haliburton was
21 probably at 28 dollars, this is recent
22 history and I can give it to you straight up
23 and down. Was 28 dollars a share, there
24 are warrants listed and you can go anywhere
25 from three months to six months, to nine

1 months to one year probably would be
2 maximum.

3 And the warrants may be issued if
4 the stock is at 28, they may go from 20 to
5 40, a spread like that, and you can -- you
6 can buy any series of those warrants that
7 you want.

8 In the case of Halliburton let's
9 assume that we -- in the last year in
10 October we bought some 25 warrants when
11 Halliburton was at 28 and we paid five
12 dollars for the warrants or actually three
13 dollars already in the money in the
14 warrants, so we only paid a two dollar
15 premium.

16 But for the grand total if we
17 bought ten warrants it would be one thousand
18 shares worth, but for a grand total of two
19 thousand dollars we control one thousand
20 shares of Halliburton.

21 And there is a daily market on
22 that warrant. So if last week we sold that
23 warrant for eleven and a half we made six
24 and a half dollars on one thousand shares or
25 65 hundred dollars for an investment of two

1 thousand or a risk of two thousand; okay.

2 BY MR. GUARCH:

3 Q. That warrant has a time limit?

4 A. Yes, some do, yes. That is really
5 an option, but a warrant -- what I described to
6 you as an option, a warrant now is if you
7 participate in a private placement it's very
8 much the same, it has a strike price which the
9 option price would be 25 and I am going to
10 finish my whole description or you are going to
11 think that I am an idiot.

12 And so you might have a strike
13 price of warrant, let's use basically the same
14 numbers which are 25. And so if the stock runs
15 up to 28 or 30, and you have 25 dollar warrants,
16 you may have been gifted the warrants or you may
17 have bought the warrants, either way, but
18 warrants are notoriously given to companies who
19 do private placements or if a market maker wants
20 to make a market in a stock they might say, Jay,
21 if you buy one thousand shares of XYZ, XYZ will
22 give you one hundred warrants, the strike price
23 will be whatever it is.

24 So those warrants also have a
25 market and they are traded, and so that is what

1 the warrants are.

2 Common and special shares to the
3 best of my knowledge would be exactly what it
4 is, common and special shares. Special
5 corporate bonds --

6 Q. When you say common and special
7 shares, those would be of Harris Organisation
8 entities?

9 A. I think not. I think they would
10 be of other entities.

11 Q. You are not sure?

12 A. No, I am not.

13 MR. MARCHANT: What about mutual
14 funds and the warrants?

15 BY MR. GUARCH:

16 Q. Would the mutual fund and warrants
17 relate to in-house?

18 A. To the best of my knowledge some
19 would be the in-house fund and some would be --

20 Q. Do you know what the breakdown
21 would be?

22 A. No, I do not.

23 Q. Of course, you refuse to give me
24 any of that information in my request for
25 production, so I can't tell either.

1 A. No, you couldn't tell from this
2 paper.

3 Q. Okay, down to the special
4 corporate bonds.

5 A. Special corporate bonds again
6 would be bonds of some nature, I am not -- I
7 don't know what we are holding, '97.

8 Q. The next line?

9 A. Money market investment trust.
10 Money market is a money market.

11 Q. What does investment trust mean?
12 Do you have a particular trust that just has
13 money market funds in it? I --

14 A. I can't answer that.

15 Q. How about securities and physical
16 custody?

17 A. Those would be securities that
18 shares of traded stock or securities such as
19 IBM, Digital, whatever it might be.

20 Q. Those would be in-house securities
21 is?

22 A. They would be -- no, no, they
23 would be --

24 Q. When I say in-house, any of the
25 securities of The Harris Organisation entities?

1 A. It could be some of them, but I
2 think that --

3 Q. You don't know?

4 A. I don't know the breakdown between
5 venture capital, private placement, and
6 securities including physical custody. The rest
7 are brokers in New York. Texas will be --

8 Q. Wouldn't the securities and
9 physical custody-- strike that.

10 Wouldn't the securities were they
11 not in-house more than likely be under brokers
12 in New York or brokers in Texas?

13 A. Not necessarily, no, no.

14 Q. Why not?

15 A. No, because we do safe custody and
16 physical delivery of securities. The only ones
17 that would be --

18 Q. But that would be for clients?

19 A. Well, we have a 17 million dollar
20 liability with clients. We also have physical
21 delivery of our our securities, securities of
22 our own.

23 The ones that would be in the
24 brokerages in New York, Texas or wherever it
25 might be in a brokerage, would be those that

1 would be actively traded or likely to be traded,
2 okay.

3 Q. Apartment are apartments, I think
4 you made --

5 A. Right.

6 Q. -- A clear statement that that is
7 done through comperable evaluations of it.
8 There is a million dollars in banks in Florida?

9 A. At this time in 1997, yes.

10 Q. Brokers?

11 A. Yes, that is just --

12 Q. And other is other and you are not
13 going to know that unless we had the work
14 papers?

15 A. Yes, correct.

16 MR. GUARCH: Okay, if we could
17 step outside for a minute.

18 (Discussion off the record.)

19 MR. GUARCH: I have nothing
20 further.

21 MR. STRIP: No questions.

22 MR. GUARCH: Julio, to the extent
23 that you want to hang out you can. That is
24 it.

25 (Thereupon, the taking of the deposition

1 was concluded at 4:30 p.m. and reading and
2 signing were not waived.)

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ERRATA SHEET

I, Lawrence G. Gandolfi, do hereby
acknowledge that I have read this transcript and
find it to be accurate except for the
corrections noted below.

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Lawrence G. Gandolfi

Signed and dated this day of

1999.

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CERTIFICATE OF OATH

STATE OF FLORIDA
COUNTY OF DADE

I, the undersigned authority,
certify that Lawrence G. Gandolfi personally
appeared before me and was duly sworn.

WITNESS my hand and official seal
this 9th day of April, 1999.

JULIO A. MOCEGA

Notary Public- State of Florida
My Commission Expires: 6-29-2002

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CERTIFICATE OF REPORTER

STATE OF FLORIDA
COUNTY OF DADE

I, JULIO A. MOCEGA, Registered
Professional Reporter, certify that I was
authorized
to and did stenographically report the foregoing
proceedings; and that the transcript is a true and
accurate record.

I further certify that I am not an
attorney or counsel of any of the parties, nor a
relative or employee of any attorney or counsel
connected with the action, nor financially
interested in the action.

Dated this 9th day of April, 1999..

JULIO A. MOCEGA, R.P.R.

State of Florida
County of Dade

The foregoing certificate was acknowledged
before me this day of , 1999,
by Julio A. Mocega, who is personally known to me.

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25 Southeast 2nd Avenue, Suite 540
Miami, Florida 33131
Telephone (305) 374-0181

TO: Lawrence G. Gandolfi
C/O STRIP, FARGO, SCHULMAN & HOPPERS
575 Third South Third Street
Columbus, Ohio 43215

April 9th, 1999

IN RE: MARC M. HARRIS, et.al. vs.
DAVID E. MARCHANT, etc.
CASE NO. 98-761 Civ-Moore

Dear Mr. Gandolfi,

With reference to the examination of YOURSELF, deponent in the above-styled cause, taken on March 16th, 17th, and 24th, 1999 under oath, please be advised that the transcript of the Deposition has been transcribed and is awaiting your signature.

Please arrange to conclude this matter at your earliest convenience. We would suggest that you telephone this office and arrange an appointment suitable for all concerned.

However, if this has not been taken care of by May 9th, 1999 we shall conclude the reading and signing of said deposition has been waived, and shall then proceed to file the original of the said transcript with the party who took the deposition, without further notice to any parties.

Very Truly yours,

JULIO A. MOCEGA, R.P.R.

cc All Attorneys of Record.