

TESTIFIER NARRATIVE

This list is sorted by witness's position in the chronological narrative. It includes

- District attorney A list witnesses
- District attorney B list witnesses I think district attorney will call in the prosecution case in chief
- Defense witnesses
- Codefendant witnesses

All sorted *chronologically* by position of *testimony* in narrative.

A. [Waiting to see what the main headings are.]

1. Defense witness defendant Stanley Goldblum
 - (1) Position in narrative from **early 1970s** to maybe present if Equity Funding and Orange County convictions need to be explained on direct.
 - (2) Consultant PriMedex Corporation
 - (3) Notes.
 - i February 4, 2000, note. My gut feeling is when trial starts defendant will have pled guilty to a felony in Orange County and gotten probation. So no blameless life. So forget about putting a lot of time in trying to keep out prior felony convictions *as impeachment*. Therefore forget about keeping prospectus blurb out *if defendant is going to testify*.
 - ii Maybe try to 402 exclude February 5, 1992, "Fuck you."
 - iii 402 motions re district attorney investigator Rust. I believe district attorney will use Rust to introduce to introduce defendant's
 - iv If I can't keep out felony in prospectus, I should definitely call defendant! So there will be two 402 motions. But won't some jurors *know* defendant is infamous? See Tarlow's May 21, 1996, memo: embrace the prior; we cannot hide it.
 - (a) Juror actually remembers defendant's name
 - (b) Juror reads Los Angeles Times articles covering trial.
 - v See November 23, 1999. Where is defendant's statement when they searched his house June 22, 1994? I guess the

tape. I found it. At June 23, 1994.

- (4) Rap sheets—see
 - (5) February 5, 1992. Defendant’s depo in Green v. Colonial Penn. “Fuck you.” Elicit on direct.
 - (6) June 22, 1994. Apparently defendant’s statement to the district attorney. Tape. I guess report too. We have RT. See June 22, 1994. Report at June 23, 1994.
 - (7) July 1, 1994. Apparently defendant’s statement to the district attorney. Tape. *No report*. 94-349. March 28, 2000, Rebecca will call back if she has it. Not there.
 - (8) August 23, 1994. Defendant’s assets and personal history.
 - (9) March 25, 1996. Defendant to Barry. What happened. NICE PART OF OPENING STATEMENT
 - (10) June 27, 1996. Defendant’s deposition in codefendant Gardner v. Grant Thornton. Defendant answers no questions, asserts 5th Amendment every question. Apparently Civil Case No. BC125914. How can, e.g., February 22, 1996, court paper also list Criminal Case No. BA122182??? Defendant asserted 5th at depo in codefendant Gardner v. Grant Thornton, per July 11, 1996.
 - (11) October 1, 1996. Defendant’s memo to Don Re re Crown, door, *and sketch!*
 - (12) December 27, 1999. Defendant to Edward Murphy
 - (13) Direct examination by Edward Murphy.
 - i I guess use selected entries in case chronology?
 - (14) Cross examination.
 - i By prosecution.
 - ii By Richard/Leslie.
2. Codefendant MAYBE BIG OUCH Witness David Gardner
- (1) Position in narrative maybe **early 1980s** to I guess February 1, 1994, when apparently codefendant Gardner resigns from PriMedex Health Systems, Inc., board of directors.
 - (2) President PriMedex Corporation
 - (3) How does witness hurt defendant?
 - (4) Notes.
 - (5) Subpoena. Can’t.
 - i Will Richard/Leslie call codefendant Gardner? Maybe not if he will have to lie through his teeth re attorney kickbacks! Defendant doesn’t think he will. I think Richard/Leslie told me he did not testify in first trial.
 - (6) Rap sheets—see

- (7) 1984 or 1985. Witness leaves Pele or Century. When? It must have been 1984 or 1985. Tarlow suggests embezzlement, \$20,000 golf and gym equipment, per May 29, 1996.
- (8) September 10, 1992. Witness's deposition in Crane appeal.
- (9) November 23, 1999. Richard to Edward Murphy. We may call codefendant Gardner. A possibility; not quite a probability. We will try have witness's convictions reduced to misdemeanors.
- (10) Direct examination by Richard/Leslie.
- (11) Cross examination.
 - i By prosecution. Witness has felony convictions. 1999? Wobblers per Richard.
 - ii By Edward Murphy

3. Prosecution Witness Moss, Richard

- (1) Position in narrative say **early 1980s** to say present
- (2) Codefendant Gardner co-counsel!!!!!!!
- (3) Alleged acts 1, 2, 4-6. Scan bonuses. Trigger point bonuses. Blood bonuses.
- (4) Listed? Yes.
- (5) Rap sheets—see
- (6) Chronology and references.
 - i 1983. Pele Medi-Corp incorporated. Apparently “owned and operated” by codefendant Gardner. Clinics in East Los Angeles Hispanic neighborhoods. They license Brazilian soccer star's name. **Moss member board of directors Pele Medi-Corp**
 - ii September 1984. Pele in need of cash. Defendant named president and CEO Pele Medi-Corp. Also to board of directors Pele. Defendant skipped this when telling me background. I note Tarlow says codefendant Gardner did not tell defendant about Pele until 1985. What does that last sentence mean? **Moss resigns board of directors Pele Medi-Corporation.** So does father of codefendant Gardner.
 - iii Public stock offering *Pele* Medi-Corporation? Defendant says yes. Brokerage firm Wolf? Defendant said yes. Defendant “associated.” Moss “associated.”
 - iv June 7, 1989. PriMedex Corporation was incorporated in California. (People's Exhibit 16J, page F-75) I guess grand jury testimony was late 1988 or early 1989 codefendant Gardner forms PriMedex Corporation. Managing company.

(RT 150-151) Fact was formed June 7, 1989. **Moss “associated” with day to day operations of PriMedex Corporation.**

- v April 23, 1992. Moss to Department of Insurance Bureau of Fraudulent Claims Investigator Sue Welton. Let’s meet.
- vi April 28, 1992. Moss to Treadway, California Bureau of Fraudulent Claims. Let’s meet.
- vii Does district attorney suspect attorney Richard **Moss was tipped off** that PriMedex Corporation and clinics were going to be hit by December 1, 1992, search warrant? See March 24, 1995. Hearsay PriMedex Corporation knew about search *two weeks* in advance, per June 16, 1994, page 43.
- viii December 3, 1992? District attorney executes search warrant at 6167 Bristol Parkway, Culver City. (RT 882) Moss, codefendant Gardner, Rosenthal sign consent for district attorney to revisit locations and conduct more searches.
- ix December 11, 1992. Prospectus. PriMedex Health Systems, Inc. Public stock offering. 7500 shares of “parent corporation.” Per Tarlow 7,589,010 shares at \$4.50 per share, or \$37,150,545. Offering raises \$33,000,000. Does prospectus show that PriMedex Health Systems, Inc. owes Brennan \$30,000,000? Same brokerage firm as ... Pele? offering? F. N. Wolfe? Defendant “associated.” Moss “associated.” Defendant’s “bio” on page 58. Apparently Mortenson & Associates in Brennan’s accounting firm.
- x Moss is lawyer for PriMedex Health Systems, Inc. Really? Where did I get this?
- xi March 1993. **Federal grand jury** subpoenas bank records of PriMedex Health Systems, Inc., codefendant Gardner and defendant, per September 12, 1994, page 9. Apparently Moss gives Los Angeles district attorney access to records, per Tarlow.
- xii May 12, 1993. District attorney and FBI allowed access by Moss to certain computers. Defendant’s secretary’s (Darlene’s) computer.
- xiii April 21, 1994. District attorney says it receives letter from Moss re two sides to Good Tables question, even though district attorney had not informed Moss district attorney had interviewed Good Tables, per June 16, 1994, page 64.

- xiv September 14, 1994. Telephone conversation codefendant Gardner tells defendant Moss needs to be shown the program that generated patient reports. Codefendant Gardner also telling defendant how defendant had a bigger office than codefendant Gardner. **Codefendant Gardner could cooperate.**
- xv January 13, 1995. Tarlow stressing joint defense agreement to Moss.
- xvi June 5, 1995. Apparently Rosenthal tells Moss maybe have investigative grand jury, per June 8, 1995. **Meeting taped!!!!**
- xvii July 12, 1995. Defendant's memo to Moss re CareAdvantage, Inc., prospectus. See September 1993 notes.
- xviii Moss deals with district attorney office as lawyer for PriMedex Health Systems, Inc.
- xix September 15, 1995. Moss says codefendant **Gardner first learns of defendant's finder's fee from Tarlow's September 15, 1995, Johnson submission**, per October 2, 1995! But see defendant's December 12, 1995, memo. What motive would defendant have had to keep fee secret after codefendant Gardner received his ... what?...first \$30,000,000? Defendant's December 22, 1995, memo lists all the people who knew about his finder's fee before the December 1992 prospectus.
- xx April 18, 1996. Schneider sets codefendant Gardner bail \$900,000. Moss's *mother* pledges her real estate as part of codefendant Gardner's bail. Moss's mother puts up her house.
- xxi **June 7, 1996. Moss confirmed there is a Rosenthal memo why there is no case against defendant!!!!!! But Moss can't be identified!!!!!!**
- xxii November 15, 1996. Why is codefendant Gardner (Moss?) asking for grand jury roll call? Later I will be in court when Moss raises the objection.
- xxiii November 1997. Leslie Abramson lead counsel. Maybe Moss brings in Leslie? I don't think so. I believe codefendant Gardner hires Leslie to Moss's displeasure.
- xxiv July 28, 1999. Defendant says codefendant Gardner wants Moss disqualified. Codefendant Gardner also says Moss has exculpatory material. Two cabinets. Per defendant.

- (7) Direct examination by prosecution.
 - (8) Cross examination.
 - i By codefendant's lawyer Leslie
 - ii By Edward Murphy.
4. Prosecution Witness Directo, Elizabeth
- (1) Position in narrative **September 1985** through August 1991.
 - (2) PriMedex Corporation collections manager. Witness says I was vice president of operations.
 - (3) Codefendant Gardner held a number of closed door meetings with attorneys who referred patients to the medical corporations. These meetings were held either at codefendant Gardner's office or at the attorneys' offices. It was just Gardner who met with the attorneys. Alleged acts 1, 2, 4-9.
 - (4) Prosecution listed? Yes. April 1993 PriMedex Corporation supplied the district attorney with Ms. Directo's then-current home address.
 - (5) Rap sheets—see
 - (6) Defendant told me codefendant Gardner told defendant he was having sex with witness.
 - (7) August 1991. Directo leaves. Witness was fired for taking business away and codefendant Gardner sued her, per Loh to Barry November 15, 1995 (I couldn't find this document February 9, 2000!!!!) Witness quits/fired, per November 22, 1995
 - (8) December 17, 1991. Directo interviewed by Pete Mello of the National Insurance Crime Bureau and Riverside County Deputy District Attorney Karen Kadyk.
 - i Apparently district attorney does not have tape.
 - ii In 1986 I delivered a thick envelope with money in there and I gave it to attorney:

There was one time when I was sent to an attorney's office this was a long time ago, in 1986 I don't remember the attorneys name and I brought a thick envelope, and its money in there and he had me give this attorney but he didn't tell me what, okay, we have a computer print out of attorney payment summary It's a computer print out of whatever pay was attorneys has had for. ..the month and every month he would ask me, every three months before an attorney comes to the office he would say; attorney so and so is coming today I need a print out by 11:00 o'clock, and he would look at the print out and if there is only like \$89,000 dollars in payments or some, he knows...

- iii Defendant negotiated contracts with doctors. Page 7
- iv You could find the deleted patient files by looking at computer printout of patients in 1987 and 1988. Instead of just showing zero balance in 1988 the patient would be gone. Personal injury checks stayed on Gardner's desk. Pages 34-35. Most personal injury patients Gardner deleted were Parker clients, per page 36. Also Pirana and Langer.
- v We were already big when defendant came:

You think its because of Goldblum? You think its because of Goldblum, bringing Goldblum in, that he really went bananas from that point?
Actually, when Goldblum, *we were already big when Goldblum came*. I think what it is because his associations with attorneys I think he was paying them left and right sending patients, that's the only way.
You think Goldblum came to Gardner from this attorneys. From an attorney that put them together (Inaudible) .
Goldblum? *No*. They were in business before already.
Why did he, why did he bring him back though?
That's the (inaudible) multimillion dollar questionnaire. Why is Goldblum here what are they up to? What do they need him for?
Yes what do they need him for? We were big everything was all fine we were running perfect why did he bring him in? That was the question and nobody can answer it except for the fact that maybe, they want, he wants to go public he wants to sell his business and he doesn't know...
Yeah, but why would he go public having that kind o~ a figure with him? That's the last thing you want to do when you go public.
Well they went public before (Inaudible) prior to using (Inaudible).
I wonder if maybe ah, Goldblum has something over Gardner from his prior business and...
It's probably what it is.

- vi We were paying Wakelin over \$500,000 a year.
- vii After being repeatedly asked whether *Gardner* paid attorneys kickbacks in return for patient referrals witness said "I would think, but I don't know. . . That's the thing I don't know." (Mello Report at page 37) Pressed further as to any potential kickback arrangements between *codefendant Gardner* and attorneys for patient referrals witness stated, "I could not prove that. . . that is one thing I cannot prove, . ." (Mello Report at page 3) Ms. Directo told

- Mr. Mello and Ms. Kadyk codefendant Gardner held a number of closed door meetings with attorneys who referred patients to the medical corporations. These meetings were held either at codefendant Gardner's office or at the attorneys' offices. When asked whether "it was just Doctor Gardner" who met with the attorneys, Ms. Directo's response was affirmative. (Mello Report at page 4) Throughout the entire interview (the transcript of which occupies 46 pages) Ms. Directo never suggests that defendant had any contacts or meetings with attorneys.
- viii Witness suggests all of the medical policies, practices, and protocols were already well in place by the time defendant joined PriMedex Corporation in approximately 1988. We were already big when Goldblum came. We were big, everything was fine, we were running perfect . . . " (Mello Report at 41)
- ix Codefendant Gardner hired defendant to work at PriMedex as a consultant. (Mello Report at page 5) Significantly, when Mr. Mello specifically asked her whether defendant was a vice president of the company, witness corrected him, saying defendant was a consultant. (Mello Report at page 23) Defendant was not in any way connected with the medical aspects of the business. (Mello Report at page 45)
- x According to Ms. Directo's description, defendant's responsibilities at PriMedex Corporation were wholly unrelated to the medical practice. Defendant was involved in getting us credit lines with the bank, that's what he did (Mello Report at 7) When asked whether all billed medical procedures were actually performed, Ms. Directo stated, "Oh, no, no, everything is done. Yeah, everybody came in everything was done ... Yes, everything is in the up and up, because that's the one thing that ... he [Dr. Gardner] didn't want to be caught with.... they had everybody sign . . . " (Mello Report at page 11) When asked whether she believed anything illegal was happening in PriMedex Corporation's billing department, witness firmly answered no. Witness specifically denied any double-billing practices. (Mello Report at page 11) Based on Ms. Directo's responses, at one point during the interview Mr, Mello remarked, "[W]hat we're finding out is that his business was on the up and ups ... [S]lo we're not going to

catch him [Dr, Gardner], the double billing, we're not gonna catch him with patients that, that don't sign in or bill . . . or billing for something that didn't [get done]," (Mello Report at page 33) When asked whether billed X-rays were actually performed, Ms, Directo replied, "X-rays were done." (Mello Report at page 33)

- (9) September 2, 1992. Witness interviewed by FBI Special Agent Pamela Myers. I think secretly taped.
 - i Gardner would tell witness he was going to see an attorney and ask witness how much Gardner was paid by carriers for the attorney's clients.
 - ii Defendant was employed as a consultant by codefendant Gardner. (Myers Report at page 3) Report says defendant served time for Equity Funding. But it seems Colonial knew about defendant and Equity at deposition February 5, 1992.
- (10) October 9, 1992, taped statement. April 5, 2000: I think Rebecca reports tape not delivered by district attorney. RT of witness's statement to TheZenith. Investigator Rabinowitz. Maybe Rabinowitz is attorney. I think Gloria is with Rabinowitz, per page 34. Why is PIF October 9, 1992 + October 27, 1992? Witness says Graiwer & Goldberg was on our payroll, per page 38. Witness is asked how much were the kickbacks. She seems to indicate Gardner is paying attorneys a kickback determined by how many patients the attorney sent Gardner for the month.

I think the kickback was from how much, you know, how many patients came. I think that's what it is, because we have a list of how many patients showed for that attorney,

for what month.

Oh, so it's a payback *once a month* for how many patients they've ...?

Sometimes they get paid three...I don't know, months, every three months, once every 4 months, because he would tell me, Beth, I need a run of the attorney's case of summary from January to February for let's say, I'm going there this afternoon and I need it. I'll have data processing run it for him. Or, there would be times when he would just yell and scream at me for not supervising the data processing carefully, because, according to attorney so and so, he sent 24 patients, and according to our run, there was only 20 or 19. What's this, garbage in, garbage out? I would try to find out, you know, where those patients are and then would tell him that, oh, they didn't show up, so we only actually have 19. The case number's incorrect, not 24. Okay, and then he would call the attorney in front of me and tell him, oh, well you only sent 19 patients; why are you saying 24? I would just put 2 and 2 together. I don't have any concrete evidence about that.

(Second Interviewer)

Did he pay them in checks?

Cash.

(Second Interviewer)

All the time?

Of course.

You don't know the dollar value *per patient*, though?

No. He's too smart for that. I don't think the attorneys would tell you either how much. If it's \$400.00 *per patient*, I don't know.

(Second Interviewer) How many medical offices does he own or is he related to that you know of?

I know just the clinics I was there.

- Since defendant came the company flourished. Page 41.
- (11) October 27, 1992, taped statement apparently to The Zenith investigator Rabinowitz. A MacIntosh was used to generate the reports. Page 13. When there was a conflict between Gardner and defendant Gardner would tell witness to read the door. There's nothing on the door. It says King. I am the King. Pages 16-17. Graiwer got checks as a consultant. Page 27.
 - (12) My guess is this is the PIF of witness's deposition in civil suit Gardner v. Witness. Rebecca, do we have it?
 - (13) November 29, 1995, taped statement to district attorney investigator Flores.
 - i Bonus system was okayed by defendant.

- ii Witness did not recall reading or hearing about anyone ordering doctors to order more tests. (Flores Report page 2) Witness did not recall PriMedex Corporation or the medical corporations paying doctors bonuses for ordering blood tests. (Flores Report page 2) Gardner formed Bristol Diagnostics and Crown Imaging so that the company [PriMedex Corporation] could charge more money. (Flores Report at page 2)
 - iii Witness genuinely believed, as did other employees and associates of PriMedex Corporation whom she knew, it was entirely legal for PriMedex Corporation to bill insurance carriers for services it purchased from Crown Imaging. This testimony is consistent with statements which witness made during her wherein she said she “didn’t feel that it was illegal for a company [PriMedex Corporation] to pay [Crown and Bristol] for services and then bill for them.” (Flores Report at page 2)
- (14) Direct examination by prosecution.
- (15) Cross examination
- i By Edward Murphy.
 - (a) Witness will testify defendant worked as a consultant to PriMedex Corporation—he was not an officer of the company. This is consistent with statements Ms. Directo made to Agent Myers during their September 2, 1992, interview, wherein she said defendant was employed as a consultant by codefendant Gardner at PriMedex Corporation. (Myers Report at page 3) This is also consistent with statements Ms. Directo made to Mr. Mello and Ms. Kadyk during their December 17, 1991, interview wherein Ms. Directo said that codefendant Gardner hired defendant to work at PriMedex as a consultant. (Mello Report at page 5) Significantly, when Mr. Mello specifically asked her whether defendant was a vice president of the company, Ms. Directo corrected him, saying defendant was a consultant. (Mello Report at page 23)
 - (b) Ms. Directo could provide critical exculpatory testimony which corroborates defendant’s position that he did not participate or have authority in establishing, monitoring, or implementing the medical corporations’ clinical policies and practices. This testimony is consistent with statements Ms. Directo previously made during her December, 1991 interview with Mr, Mello and prosecutor Kadyk,

wherein she said defendant was not in any way connected with the medical aspects of the business. (Mello Report at page 45) Ms. Directo also suggested that all of the medical policies, practices, and protocols were already well in place by the time defendant joined PriMedex Corporation in approximately 1988: We were already big when Goldblum came. We were big, everything was fine, we were running perfect . . . “ (Mello Report at 41) According to Ms. Directo’s description, defendant’s responsibilities at PriMedex Corporation were wholly unrelated to the medical practice. Defendant was involved in getting us credit lines with the bank, that’s what he did (Mello Report at 7)

- (c) Although witness is not a physician, she can testify that neither the medical corporations nor PriMedex Corporation ever required or encouraged physicians to order greater volumes of diagnostic **blood** tests. Ms. Director had been interviewed by law enforcement officials on numerous previous occasions, including specifically by the district attorney on November 29, 1995. Her testimony would have been consistent with her prior statements to the district attorney. Specifically she told the district attorney that she did not recall reading or hearing about anyone ordering doctors to order more tests. (Flores Report page 2) Further Ms. Directo did not recall PriMedex Corporation or the medical corporations paying doctors bonuses for ordering blood tests. (Flores Report page 2)
- (d) Witness can provide testimony to corroborate defendant’s position that he believed PriMedex Corporation’s billing practices with respect to Bristol Diagnostics and Crown Imaging were lawful. Specifically, Ms. Directo can testify **it was Dr. Gardner and Dr. Gardner alone who decided to form Crown Imaging as a separate billing entity.** This testimony is consistent with statements Ms. Directo previously made during her November 29, 1995, district Attorney interview, wherein she said that “Gardner formed Bristol Diagnostics and Crown Imaging so that the company [PriMedex Corporation] could charge more money.” (Flores Report at page 2) Ms. Directo genuinely believed, as did other employees and associates of PriMedex

Corporation whom she knew, it was entirely legal for PriMedex Corporation to bill insurance carriers for services it purchased from Crown Imaging. This testimony is consistent with statements which Ms. Directo made during her November 29, 1995, interview with the district attorney, wherein she said she “didn’t feel that it was illegal for a company [PriMedex Corporation] to pay [Crown and Bristol] for services and then bill for them.” (Flores Report at page 2)

- (e) Ms. Directo voluntarily agreed to be interviewed by Pete Mello of the National Insurance Crime Bureau and Riverside County Deputy district attorney Karen Kadyk on December 17, 1991. Ms. Directo can testify that all indicated medical services which PriMedex Corporation billed to the insurance carriers were actually performed. This testimony is consistent with statements she made to Mr. Mello and deputy district attorney Kadyk during their December 17, 1991 interview. When asked whether all billed medical procedures were actually performed, Ms. Directo stated, “Oh, no, no, everything is done. Yeah, everybody came in everything was done ... Yes, everything is in the up and up, because that’s the one thing that ... he [Dr. Gardner] didn’t want to be caught with.... they had everybody sign . . . “ (Mello Report at page 11) When asked whether she believed anything illegal was happening in PriMedex Corporation’s billing department, Directo firmly answered no, She specifically denied any double-billing practices. (Mello Report at page 11) Based on Ms. Directo’s responses, at one point during the interview Mr, Mello remarked, “[W]hat we’re finding out is that his business was on the up and ups ... [Slo we’re not going to catch him [Dr, Gardner], the double billing, we’re not gonna catch him with patients that, that don’t sign in or bill . . . or billing for something that didn’t [get done],” (Mello Report at page 33) When asked whether billed X-rays were actually performed, Ms, Directo replied, “X-rays were done.” (Mello Report at page 33)
- (f) Interviewed by Pete Mello of the National Insurance Crime Bureau and Riverside County deputy district attorney Karen Kadyk on December 17, 1991. Ms.

Directo can testify about critical exculpatory information which corroborates defendant's position that he reasonably believed PriMedex Corporation did not pay any third-parties (including attorneys) consideration or kickbacks in return for their referral of patients to the medical corporations. This testimony is consistent with statements Ms. Directo previously made to Mr. Mello and Deputy district attorney Kadyk during their December 17, 1991 interview. After being repeatedly asked whether *codefendant Gardner* paid attorneys kickbacks in return for patient referrals, Ms. Directo said "I would think, but I don't know. . . That's the thing I don't know." (Mello Report at page 37) Pressed further as to any potential kickback arrangements between *codefendant Gardner* and attorneys for patient referrals, Ms. Directo stated, "I could not prove that. . . that is one thing I cannot prove, ." (Mello Report at page 3) Witness told Mr. Mello and Ms. Kadyk **codefendant Gardner held a number of closed door meetings with attorneys who referred patients to the medical corporations. These meetings were held either at codefendant Gardner's office or at the attorneys' offices. When asked whether "it was just Doctor Gardner" who met with the attorneys, Ms. Directo's response was affirmative. (Mello Report at page 4) Throughout the entire interview (the transcript of which occupies 46 pages) Ms. Directo never suggests that defendant had any contacts or meetings with attorneys.**

ii By Richard/Leslie.

5. Prosecution Witness Skaggs, Mark
 - (1) Position in narrative 1986 to 1988.
 - (2) PriMedex Corporation collector. Then worked for Wakelin one year.
 - (3) Acts 2, 8, 21. *Witness did not know defendant.* But witness talks about defendant September 16, 1992
 - (4) Listed? Yes.
 - (5) Rap sheets—see
 - (6) September 16, 1992, statement to FBI agent Pamela Myers. Defendant knows nothing about the medical field or workers' compensation matters. (Myers Report at page 5)
 - (7) January 13, 1993, taped statement to district attorney

- (8) January 21, 1993, taped statement to district attorney
- (9) May 1996 grand jury. Starts RT 123.
 - i Marc Skaggs worked at La Brea Medical Clinic as a collector from approximately 1986 to 1988. (RT 125) Skaggs normally collected from employers' insurance carriers. (RT 137)
 - ii Witness did not know defendant (RT 124).
 - iii It seemed like files would be deleted almost on a daily basis while witness worked at La Brea Medical Clinic as a collector from approximately 1986 to 1988. (RT 125, 132)
 - iv Witness testified he was paid for what he brought in. (RT 126) When he noticed patients' files deleted from the computer, he talked to codefendant Gardner about it "because, you know, the agreement for incentive program was based on [codefendant Gardner] coming to me and saying, 'if you collect this amount, then we will give you this amount as a an incentive.'" The deputy district attorney asked Skaggs:

Q. What did he tell you?

A. He told me not to worry about the computer. 'You will get paid for what you are collecting on.'

- v Skaggs testified he did, in fact, get paid for what he collected on. (RT 129) Skaggs testified the physical file as well as the record in the computer would be gone. (RT 131)

(10) Direct examination by prosecution.

(11) Cross examination

- i By Edward Murphy.
 - (a) Witness's testimony corroborates defendant's position that he reasonably believed PriMedex. Corporation did not pay consideration to any third parties (including attorneys) in return for their referral of patients to the medical corporations. This testimony is consistent with statements Mr. Skaggs made during his September 1992 FBI interview wherein he said he had "no concrete evidence that cappers were used to bring patients in" to the medical corporations' clinics. (Myers Report at p.5)
- ii By codefendant's lawyer Richard/Leslie.

6. Prosecution Witness Kesheshian, Claudia

- (1) Position in narrative *before February 1987* per Mroch per May 18, 1993
- (2) Physical therapist to head of the clinics, per Mroch per May 18, 1993. Witness was Gardner's girlfriend.

- (3) **Acts 1-23!!!!!!!** Paul Michael Johnson told FBI witness was involved in all the fraud, per February 24, 1993. Directo told FBI witness took names out of computer for Gardner, per September 2, 1992.
 - (4) Prosecution listed? Yes.
 - (5) February 6, 2000, no digital hits. Apparently Richard has *no* witness statement(s), per January 26, 2000.
 - (6) Rap sheets—see
 - (7) References (chronologically).
 - i Before February 1987
 - ii After February 11, 1992, search warrant. Witness writes letter to Gardner trying to extort money, per Viselli January 24, 1994.
 - (8) Direct examination by prosecution.
 - (9) Cross examination
 - i By Edward Murphy.
 - ii By codefendant’s lawyer.
 - iii
7. Prosecution OUCH Witness Mroch, Thomas
- (1) Position in narrative **February 1987** to September or October 1990
 - (2) Gardner corporation controller. Witness will probably testify he only was employed “as a controller.”
 - (3) Acts 1-21! May 18, 1993, witness seems to say OUCH **it was defendant’s idea to delete Crown Imaging from the “attorney accounts.”** Cheat the attorneys in computing their kickback. Edward Murphy note: If defendant was advising Gardner to pay the attorneys *less* kickbacks wasn’t that *good*?
 - (4) Listed? Yes.
 - (5) Rap sheets—see
 - (6) Beginning of September 1990. *Mroch makes up a fraudulent invoice.* (RT 172)
 - (7) 2nd week in September 1990 Mroch leaves for vacation
 - (8) November 11, 12 and/or 13, 1992.
 - i Note this is *before* the December 1, 1992, search warrant. Witness’s 100-page statement to TheZenith. See January 16, 1996. TheZenith general counsel claims Victor Rabinowitz tells Rosenthal that Gordon Oard takes witness’s statement in Alexandria, Louisiana. Was “Jud” is with Oard? Maybe not. See Oard’s interary at January 16, 1996. Apparently statement taken maybe on November 11, 1992, and November 12, 1992; but definitely at least part taken on November 12, 1992. Maybe entire statement taken November 12, 1992. Since we have verbatim

- transcript there must be a tape. Is tape still extant? Bob Navarro may need to subpoena Oard for impeachment! What about Jud?
- ii **List of attorneys ... Stanley.** See page 001569.
 - iii *Witness claims somebody formatted his hard drive when he was on vacation when Gardner's father died. I'm sure it was witness who did it to cover his embezzlment.* Page 001583. Witness says he was keeping attorney payments on his hard drive. Page 001619
 - iv Defendant loaned money to Gardner company. Page 001597
 - v It could be attorneys were paid \$1,000,000 a year. Cash. Manny Graiwer got checks. I paid Graiwer \$50,000 a month.
 - vi In some cases the dollar amount was the basis for the payment to the attorney. So we doctored the program so when it got printed, all payments received for Crown Imaging did not go on that attorney list, so we didn't have to pay him his cut on something he had nothing to do with. Yeah, that's... that was really the only reason for that attorney payment list.
- (9) May 18, 1993. Statement to FBI agent Myers. Apparently district attorney says no tape. **The FBI report of the statement is so detailed it looks to me like Myers surreptitiously taped it. Discovery motion?**
- i Witness started at La Brea clinic *February* 1987. Witness seems to be saying personal injury cases, not workers' compensation cases, disappeared from the computer.

I guess Gardner was taking the check paid to Gardner company by personal injury attorney, cashing it and using it to pay kickbacks to attorneys referring any kind of case to Gardner company—personal injury or workers' compensation case. Is this tied to what defendant was talking about to me? Defendant said Gardner would be sure to account for kickback payments as “advertising” for the bonafide of prying employees, but then *not* deduct the payments in company's tax returns in case of an audit. Maybe Gardner did this. Check payable to Gardner company comes from attorney. Amount goes on the books as income. Now no tax problem. Then Gardner cashes check, pockets cash and uses cash to pay kickbacks. Gardner also deletes computer and paper records of case (patient). Or does Gardner also not put amount on the books as income? See following.

- ii Witness and father Goldberg would add up what Gardner took so taxes would be paid.
- ii Regarding Crown Imaging Mroch stated that payments

relative to Crown Imaging would be credited to the patient account and the attorney accounts. Among the attorney accounts that would be credited were Manny Graiwer of Graiwer & Goldberg. However, this was eventually changed to delete the Crown Imaging payments from the attorneys accounts. Defendant made this change through the HCS computer and Gardner approved it. The reasoning from Gardner and defendant as to why they should not give the attorneys any part of the Crown Imaging payments was that the attorneys were not doing any of the work for it. Thus they hid this money from the attorneys and did not pay them for anything done by Crown Imaging. Early on, a Dr. Berger would do his own billing for the MRIs that were done. However, subsequently Gardner paid Berger for the billings and then would up the amount of the bill and subsequently bill the insurance companies for more than he was billed by Berger. For instance, if Berger billed \$500 to Gardner for an MRI, Gardner would pay Berger the \$500 but then would turn around and bill the insurance company \$750 or more. Thus, Primedex would keep the spread on the bills. Thus Crown Imaging was founded in early 1988.

- iii *Witness had a modem at his house and apparently could enter Gardner computers.*
- (10) December 13, 1995. Apparently statement to Lopez? No, to Flores. Also girlfriend Sunny Navarro. Per December 14, 1995.
- (11) May 1996 grand jury.
 - i Thomas Louis Mroch started working at La Brea Medical Clinic approximately at the beginning of May 1987 (RT 73) and was fired for embezzling money in September or October 1990 (RT 76, 171). Mroch worked for codefendant Gardner. (RT 72) Mroch “reported to” codefendant Gardner’s father, Lloyd Goldberg. (RT 75, 150) Mroch believed defendant “probably” joined “the business” in May or June 1987. (RT 76); after early 1989 defendant got very involved in “the operation.” (RT 77)
 - ii Mroch testified defendant “had his finger on the pulse of everything going on.” (RT 77)
 - iii Mroch testified the checks from insurance companies would come to him via codefendant Gardner. (RT 158)
 - iv Mroch testified funds requested by codefendant Gardner inhibited cash flow. (RT 161)
 - v Mroch testified he also worked for defendant. (RT 72) Mroch testified defendant “was advised of all operations or ongoing procedures in the home office and the clinics. He

- was to be advised of everything that was happening.” (RT 117)
- vi Mroch testified there were monthly meetings attended by the doctors and chiropractors. (RT 167) They would go over the patient files on a case-by-case basis. (RT 168) Defendant was not invited to the monthly meetings. (RT 167)
 - vii Mroch testified at weekly meetings at which operating procedures in the clinics were discussed either codefendant Gardner or codefendant Punturere—not defendant—would tell the doctors they weren’t ordering enough of a particular test. (RT 117, 174-175) Codefendant Gardner conducted the meetings. (RT 166) Defendant attended the meetings (RT 117, 118)
 - viii Mroch testified defendant got copies of reports that listed particular procedures. (RT 183)
 - ix Schaffer testified he gave **Mroch** the same reports he gave codefendant Gardner and defendant. (RT 407)
 - x Mroch testified he was responsible for making changes on Super Bills. (RT 155) Mroch testified he got directions from codefendant Gardner and Directo—not defendant.
 - xi The deputy district attorney asked Mroch about defendant’s compensation for his services. (RT 164) Mroch expressed his belief and guess. (RT 164) “I believe Stanley started out with something like \$2,000 a week, and shortly after moving to La Brea—from La Brea to Bristol Parkway—it went up to \$6,000 and after that it jumped to ten, and we kept going from there, I guess.” (RT 164) Mroch testified codefendant Gardner’s salary went in the ledgers as a payroll record; defendant’s compensation was charged to his account as a consultant. (RT 180)
 - xii Mroch testified codefendant Gardner asked for particular types of reports. (RT 152) Defendant got Mroch’s reports to codefendant Gardner and codefendant Gardner’s father. (RT 151) Defendant never asked for specialized reports. (RT 153)
 - xiii Mintz identified a signature card for a PriMedex Corporation account with First Charter National Bank. (RT 602) The authorized signatures were codefendant Gardner, Goldberg, **Mroch** and defendant. (RT 602) Defendant is not identified as an officer.
 - xiv Mroch testified it seemed in the beginning of 1990 it was his responsibility to draw necessary funds from Imperial Bank. (RT 164) The deputy district attorney asked

Q. Did you get any directions from anyone at the corporations to appear or cooperate in this loan process?

A. Well, yes. Give them whatever information they wanted to have.

Q. Who told you to do that?

A. Well, I'm sure I got that from both Dr. Gardner and Mr. Goldblum. (RT 165)

Mroch was a signor on the Imperial Bank account. (RT 93) At one time the entire \$1 million was in use by the borrowers. (RT 498) Eventually the loan was repaid. (RT 494)

xv The deputy district attorney asked Fratto:

Q. And can you tell from the signature card who the authorized signators are?

A. There are three signatures there. One is marked president, and I can't read the signature. I can read vice-president, which is Stanley Goldblum. And the third one is the controller, vice-president controller Thomas **Mroch**. (RT 495)

xvi Bristol Advertising, Inc., was incorporated August 7, 1988. People's Exhibit 4J. testified Bristol Advertising opened a checking account so codefendant Gardner would have checks available at his disposal that would not disrupt the business operation of the management company. (RT 97) Mroch testified **it was his "understanding" that those checks "were to be used to give to the attorneys.** We would classify that as an advertising expenditure." (RT 98) The prosecution offered no evidence defendant signed any checks drawn on the Bristol Advertising account, that defendant was a signatory on the account or that defendant even knew of the account. Defendant had no control over Bristol Advertising, Inc.

xvii Mroch testified from time to time there were certain patients' files deleted from the computer. (RT 81) When asked if he discussed this with anyone, Mroch replied codefendant Gardner—not defendant. (RT 81)

Q. What did [codefendant Gardner] say about that?

A. Well, in effect, it's his business, he could run it the way that he saw fit to do. (RT 82)

xviii The Attorney Blue Books listed attorneys with patients at PriMedex Corporation, and the amount of money received on those cases in billings. Mroch testified codefendant Gardner and defendant got copies of the Attorney Blue Book. (RT 182) There were questions. (RT 182) The deputy district attorney asked Mroch:

Q. Who would ask you those questions?

A. Generally those came from Dr. Gardner.

Q. Would Mr. Goldblum ever ask you those questions?

A. Yes, I'm sure he has, but as I indicated, most of the time it was Dr. Gardner. (RT 182)

Mroch was shown People's Exhibit 5C1, a document "known as an attorney financial report." for December 1988. (RT 78) People's Exhibit 1, the People's exhibit list (RT 34-35), states People's Exhibit 5C1 is the Attorney Blue Book for the year 1988. People's Exhibit 5C1 shows what dollar revenue was generated by a particular attorney on a particular case. (RT 78) When asked to whom those reports would be distributed," Mroch replied codefendant Gardner—not defendant. (RT 79) Mroch testified at page 153 People's Exhibit 5C1 showed a balance owed Robert Hildago of \$835,316.54. (RT 183)

xix Mroch testified Larry Parker was an attorney that sent the medical corporations personal injury cases. (RT 103) Mroch was shown 17 checks marked People's Exhibit 6C2 apparently drawn on PriMedex Corporation accounts with Imperial Bank and First Charter Bank. (RT 105) Mroch said he saw defendant's signature on three checks payable to Asher Gould Advertising. Two checks apparently were dated February 4, 1991, and February 14, 1991, after Mroch was fired in September 1990. Mroch said he saw defendant's signature on Check 4661. But there is no Check 4661 with defendant's signature. (RT 105) **There is a June 1, 1990, check, # 4664, drawn on PriMedex Corporation's account at Imperial Bank for \$15,000 payable to Parker signed by defendant.**

xx Mroch testified RadNet would perform the imaging services and then bill codefendant Gardner. (RT 87) Roxan Radiology performed imaging services. (RT 315) Scans were done at the Pomona, Rancho Cucamonga and Riverside clinics which had their own equipment. (RT 257) Codefendant Gardner owned and operated Crown Imaging Associates Medical Group, Inc. (RT 214) Mroch testified

Crown Imaging had no scanning equipment. (RT 87)
Cynthia Anne Sarfati testified Crown Imaging “had
M.R.I.’s and C.A.T. scans in other places.” (RT 255)

xxi The deputy district attorney asked Mroch:

Q. RadNet would perform the imaging services and then bill Crown?

A. Then bill Dr. Gardner.

Q. What would Dr. Gardner do with those bills?

A. Rebill them under Crown Imaging letterhead.

Q. Would he change the bills?

A. Well, I believe we would put whatever our procedure code for the price was, otherwise it would make no sense for us to handle those bills unless we were putting a markup on the bill.

Q. Did you in fact mark up the bill?

A. Yes, we did.

Q. Do you know what the markups were?

A. No, I do not. (RT 87-88)

Mroch testified, “As the report came in from RadNet, or whatever service we used, it had to be a Crown Imaging letterhead for the billing. So it was just easier for a cut and paste to put a Crown Imaging letterhead on it.” (RT 88) The deputy district attorney showed Mroch an unsigned memo marked People’s Exhibit 12A, dated March 6, 1989, saying all communication regarding CAT scans and MRI’s are to be directed to Crown Imaging Associates and not Roxsan Radiology, Beverly Radiology or Pacific Medical Imaging. (RT 90) Flores testified People’s Exhibit 12A was seized from 3711 South La Brea Boulevard pursuant to a December 1992 search warrant. (RT 933) The deputy district attorney asked Mroch:

Q. Do you have any reason to explain why it would be imperative not to affiliate Crown Imaging with Nuerologic-Orthopedic or Dr. Gardner?’

A. Trying to create the impression of an arm’s length transaction; that there was no connection between Crown Imaging and Gardner Medical Group or any of the other entities under his control. (RT 90)

The deputy district attorney elicited Mroch’s beliefs regarding the purpose of creating Crown Imaging. (RT 159-160)

Q. Were there ways of increasing your percentage of recovery on a particular case by changing a billing entity? (RT 159)

A. Yes, of course.

Q. And how would that work?

A. Well, let’s say that we got an 87 percent overall collection rate on our cases.

Q. I’m talking just about workers’ comp case.

A. That’s correct, workers’ comp cases. If we paid another billing entity, such as Crown Imaging, we are more than likely to get a 90, 95 or even 100 percent return on that particular invoice. So

putting those all together, our overall percentage of recovery on that patient is much greater than the original 87 percent.

Q. Was that the purpose of creating Crown Imaging?

A. As far as I believe, yes. (RT 160)

xxii Direct examination by prosecution.

(12) Cross examination

i By Edward Murphy.

(a) *Lowrey says Mroch wrote checks to nonexistent business he had his girlfriend cash. Was girlfriend Sunny Navarro?*

(b) Witness told the FBI that codefendant Gardner had his hand in everything at the clinics. At all times Gardner knew exactly what was going on in the clinics. Further, Gardner approved of everything that was being done by anyone (Myers Report at pages 4, 8) Witness can testify that, to his knowledge, all medical services which PriMedex Corporation billed to the insurance carriers were actually performed. This is consistent with statements Mroch made to the FBI during his May, 1993 interview, wherein he indicated that "if anything was billed for then the work would actually be done." (Myers Report at 8) Significantly, throughout his extensive interview with the FBI, Mr. Mroch never even suggested that defendant participated or had authority in establishing, monitoring, or implementing the Medical Corporations' clinical policies and practices.

(c) Witness told the District Attorney that Dr. Vincent Punturere, the Medical Corporations' clinical director, wrote internal memoranda setting forth the Medical Corporations' medical protocols and policies. Mr. Mroch said these memoranda were authorized by Gardner. (Flores Report at page 1) Significantly Mr, Mroch never even suggested that Defendant had any role in reviewing or authorizing any medical policy or practice that was the subject of Dr. Punturere's internal memoranda.

ii By Richard/Leslie codefendant's lawyer.

8. Prosecution maybe OUCH homo embezzler witness Corrales, Norman

(1) Position in narrative **June 1987** to July 1992 *when fired for payroll embezzlment.*

(2) Gardner corporations collections; *homo*

(3) Alleged acts 2, 8, 21

- (4) Listed by district attorney? Yes. Witness *was* listed as a potential defense witness. Need Navarro to investigate. Exactly when, where, details re defendant negotiating with attorneys.
 - (5) Rap sheets—see
 - (6) July 1992. Witness *fired for payroll embezzlement*.
 - (7) February 3, 1994, interview by district attorney investigator Melbourn. Taped. Per February 4, 1994.
 - i OUCH apparently witness said defendant negotiated with attorneys!!!! Page 2? See June 23, 1996.
 - ii Witness never authorized refund of overpayments to carriers. Witness reported overpayments to defendant
 - (8) Direct examination by prosecution.
 - (9) Cross examination
 - i By Edward Murphy.
 - (a) Defendant worked as a consultant for the company, not an officer. This is consistent with statements witness made to the district attorney during their interview, wherein he said, “defendant functioned as a consultant” for PriMedex Corporation. (Melbourn Report page 1) BUT LOH SAYS MAY 23, 1996, WITNESS SAID DEFENDANT NEGOTIATED THE CONTRACTS WITH THE LARGER VOLUME ATTORNEYS!!!!!! YES.
 - (b) It was standard medical corporations policy and practice for the medical doctors to personally examine each patient for whom they sign a medical-legal report. This testimony is consistent with statements witness previously made during his February 4, 1994 interview with the district attorney, wherein he said the patient was always seen by a medical doctor. (Melbourn Report at page 5)
 - (c) PriMedex Corporation did not pay consideration to any third parties (including attorneys) in return for their referral of patients to the medical corporations. This testimony is consistent with statements witness made during his February 4, 1994 interview with the district attorney wherein he said he does not know if attorneys received any kickbacks. (Melbourn Report at page 4)
 - ii By codefendant’s lawyer Richard/Leslie.
9. Prosecution Witness Richlin, Sandra Joy
- (1) Position in narrative—witness worked for PriMedex Corporation from **August 1987** to July 1993. (RT 345)
 - (2) PriMedex Corporation director of sales and marketing

- (3) Alleged acts 15-18, 21
- (4) Listed? Yes
- (5) Apparently Richard *has* statement(s), per January 26, 2000.
- (6) Rap sheets—see
- (7) October 23, 1990. Memorandum. Presented to a grand jury panel in November 1995, marked as People’s Exhibit 3K, this memorandum was written by Sandy Richlin as per Gardner and addressed to Punturere. The document purports to contain instructions as to how patients represented by the law firm of Israel & Benezra should be processed through the medical corporations’ clinics. Listed at the lower left hand corner of the document are the names of individuals who were designated to receive copies of the memorandum. They were Gardner, Druffel, Cockrell, Schneider, Angelich and Wymore. **Defendant is not one of the designated recipients of this memorandum.**
- (8) *First quarter 1993*. Meeting with defendant tape recorded by defendant. Tape 94-347-B. “Beginning 1993.” Later in tape witness indicates *first quarter 1993*. On November 9, 1994, witness had said end 1992 or beginning 1993. I believe it was first quarter 1993. I *had* thought first half 1993. March 28, 2000, we had filed at March 1993. See 995 material. This conversation could have happened anytime January to say August 1993. I *had* thought context of conversation indicated it happened in 1992 not 1993 as witness testified at 1996 grand jury (RT 359)
- (9) November 9, 1994, tape. April 1, 2000, Edward Murphy requests Rebecca to make full verbatim RT of tape. Very important!!!!
- (10) November 1995 grand jury.
 - i Witness was specifically asked why she generated the memorandum marked as People’s Exhibit 3K. In response witness stated that **it was codefendant Gardner’s decision**. I was relaying information. (RT 63) **Witness never attributed the generation or contents of this memorandum to defendant.**
 - ii During her appearance before a grand jury panel in November 1995 witness testified that PriMedex Corporation gave Christmas gifts to attorneys in the form of electronic items (such as cellular phones). (RT 68) It was Ms. Richlings understanding that the gifts were given only as a token of appreciation for the attorneys’ business. (RT 68)
- (11) April 8, 1996, memo.
- (12) May 1996 grand jury.
- (13) Direct examination by prosecution.
- (14) Cross examination
 - i By defense Edward Murphy.

- (a) Try elicit witness had contacts with attorneys as a marketing representative. It was her job strictly to publicize information about the quality and costs of medical services provided by the medical corporations. Ms. Richlin never discussed with attorneys or offered any payment for referring patients to the medical corporations.
 - ii By codefendant's lawyer Richard/Leslie.

- 10. Prosecution Witness Wakelin, Linda
 - (1) Position in narrative **before 1988**.
 - (2) Owner of Medical Media dba Injury Hotline. Nervous woman, now 55, per Directo
 - (3) Act 21
 - (4) Apparently Richard has *no* witness statement(s), per January 26, 2000.
 - (5) Prosecution listed? Yes. Wakelin may be contacted through her attorney, Donald Marks, Esq., 8383 Wilshire Blvd., Suite 750, Beverly Hills, CA.
 - (6) Rap sheets—see
 - (7) References (chronologically).
 - (8) Direct examination by prosecution.
 - (9) Cross examination

- 11. Defense Witness Sheldon Howard
 - (1) Position in narrative **1988** for now because I think *evidence* will show defendant started beginning 1988.
 - (2) Certified public accountant
 - (3) References (chronologically).
 - (4) Direct examination by Edward Murphy.
 - i Explain how people can suffer great losses in the stock market.
 - (5) Cross examination.
 - i By prosecutor.
 - ii By codefendant's lawyer.

- 12. Prosecution Witness Judge Ordas
 - (1) Position in narrative **1988** through 1993 for now because I think *evidence* will show defendant started beginning 1988.
 - (2) Workers' compensation judge since October 1990
 - (3) Notes. I *think* there is a prior statement.
 - (4) Listed? Ordas, William. Yes
 - (5) Apparently Richard Moss *has* witness statement.
 - (6) Rap sheets—see
 - (7) May 1966 grand jury. **Review this after 995 finished ...**

- i Judge Ordas testified in the workers' compensation system, "if the treatment is appropriate, it gets paid for regardless of the process of getting the patients in the doctors' doors." (RT 30) But, Ordas testified, it made him as a judge question the veracity of the physician doing the capping. (RT 30)
- ii Ordas testified he had been employed as a California workers' compensation judge since October 1990. (RT 14) His responsibility was to resolve disputes between medical practitioners and employers over medical bills.
- iii Ordas testified May 6, 1996, "Labor Code 5307.1 involves the medical fee schedule that is used to determine the level of payment to physicians for their services for medical treatment and medical-legal testing." (RT 21) The deputy district attorney asked Ordas:

Q. Was the official medical fee schedule revised every two years as mandated by the code?

A. It was supposed to be but it was not. (RT 23)

...

Q. What period of time did the official medical fee schedule—was it not properly revised?

A. From July 1 of 1989 until January 1, 1994.

Q. Once again, during that period of time, the fee schedule served what purpose?

A. It was a very strong guideline for use by all of the parties and individuals in workers compensation.

- iv Judge Ordas testified, "There is nothing wrong with having a report reviewed by an editor and then having the doctor look at it again and sign it to make sure it actually expresses his or her opinion." (RT 52)

- v The deputy district attorney elicited the following testimony from Ordas, after testifying he was a judge:

- a. If the provider has had other services done by an outside party, there is usually no reason for the provider to get paid extra compensation done by an outside entity. And the outside entity is entitled to be paid for what it charged and then the immediate provider *shouldn't get anything different*. (RT 28; emphasis added)

The grand jury could infer from Ordas's testimony that the Gardner corporations violated the law, committed fraud, when they marked up the bills.

The deputy district attorney showed Ordas the August 16, 1989, memo, from codefendant Punturere to all doctors saying codefendant Gardner would like them to order the standard blood workup on all new patients to establish a baseline and fully evaluate the patient's status. Ordas read the memo and testified, "I *think* that's *inappropriate*. There is no need for every patient that walks in the door for a work

injury to have a full blood count workup done.” (RT 36; emphasis added) Ordas testified a workers’ compensation judge has to blend knowledge of medicine into legal parameters even though the judge is not trained as a physician. (RT 37) Under further questioning by the deputy district attorney, Judge Ordas called memo’s reference to a baseline “wiggle language.” (RT 38)

The deputy district attorney asked Ordas the following hypothetical question:

Q. If it were proven that a particular medical provider paid an independent unaffiliated third party laboratory \$15.50 for a comprehensive blood panel analysis, and then turned around and submitted a lien in the amount of \$125 for the blood panel analysis and ten extra dollars for a lab handling fee, how much would *you* award the medical provider for this lien?

a. I would offer them the charge for the blood work, if the blood work was appropriately done, at the level the lab did it only.

Q. At the \$15.50 level?

a. That’s right, the \$15.50. And I would look at the handling charge with a jaundiced eye if they really had a handling fee at all.

Q. So you may or may not allow the handling fee?

a. I may or may not allow that. But I certainly wouldn’t allow \$110 profit off doing this blood work just for having an outside lab do it and then billing it under their lien. (RT 30-31; emphasis added)

Ordas indicated he reviewed “probably” hundreds of “orthopedic” liens “relating to the medical provider in question.” Ordas testified, “No one ever presented me specifically with any evidence at court that PriMedex were paying less for the blood work than they were billing for.” (RT 40-41)

vi The deputy district attorney elicited the following testimony from Ordas, after testifying he was a judge:

Q. Are you familiar with Business and Professions Code Section 655.5?

A. Yes, I am.

Q. Are you familiar with generally what it requires?

A. Yes. It requires that there be a specific itemized bill for the services of doing blood work, where they do blood testing and they are only supposed to bill for the services they actually provide.

Q. And they are required to disclose—does the section also require that the provider disclose exactly how much it is taking for the services if performed by an outside entity?

A. Yes, it does.

This testimony misled the grand jury regarding the applicability of a statute the prosecution wanted the grand jury to consider in determining whether defendant conspired to commit insurance fraud.

Through August 26, 1993, Business and Professions Code § 655.5 required doctors to apprise patients of outside laboratory charges. West’s Ann.Cal.Penal Code §655.5 Historical and Statutory Notes. Business and Professions Code § 655.5 was

amended in 1993 to provide, “It is also unlawful for any person licensed under this division or under any initiative act referred to in this division to charge additional charges for any clinical laboratory service that is not actually rendered by the licensee to the patient and itemized in the charge, bill, or other solicitation of payment.” Business and Professions Code § 655.5(c).

This means prior to August 26, 1993, it was only unlawful for doctors not to tell their patients of outside laboratory charges. After August 26, 1993, Business and Professions Code § 655.5 could be read to make it unlawful for doctors to charge additional charges for outside laboratory services not itemized in a solicitation of payment from workers’ compensation carrier. There was a key change August 26, 1993. If the prosecution was using Judge Ordas to instruct the grand jury on the law, then it should have elicited this important change August 26, 1993. The prosecution called no Gardner corporation patient. The prosecution offered no evidence that a Gardner corporation failed to apprise a patient of outside laboratory blood services. The prosecution offered no evidence that after *or before* August 26, 1993,¹ a Gardner corporation charged an additional charge for laboratory blood services that were not actually rendered by the corporation to the patient and itemized in the charge, bill, or other solicitation of payment for the laboratory blood services. The prosecution offered no evidence any Gardner corporation or any defendant made or conspired to make a claim, or aided and abetted a claim, for patient blood work that was not in fact provided, not itemized for the patient, and, after August 26, 1993, not itemized in any solicitation of payment.

vii The deputy district attorney had Ordas testify “ghost writing” is “inappropriate.” (RT 50) In response to questions by the deputy district attorney, Ordas testified, “We have an entire set of statutes in 4628 prohibits ghost writing because of this problem. If we have an extended abuse of this problem, it renders the system meaningless.” (RT 50-51)

(8) Direct examination by prosecution.

(9) Cross examination

i By Edward Murphy.

(a) *Witness was privately reprovved, per May 14, 1996!*

ii By codefendant’s lawyer.

13. Prosecution Witness Kuhn, Kermit

(1) Position in narrative **I think to follow Ordas**

-
1. Through August 26, 1993, Business and Professions Code § 655.5 required doctors to apprise patients of outside laboratory charges. Business and Professions Code § 655.5 was amended in 1993, operative August 26, 1993, to provide, “It is also unlawful for any person licensed under this division or under any initiative act referred to in this division to charge additional charges for any clinical laboratory service that is not actually rendered by the licensee to the patient and itemized in the charge, bill, or other solicitation of payment.” Business and Professions Code § 655.5(c).

- (2) State Compensation Insurance Fund
- (3) Acts 2, 8. \$200 million billings. Crown. Argue witness's testimony inadmissible.
- (4) Prosecution listed? Yes.
- (5) Apparently Richard *has* witness statement(s), per January 26, 2000.
- (6) Rap sheets—see
- (7) May 1966 grand jury.
 - i The prosecution called Kuhn who testified he had worked for the State Compensation Insurance Fund for 17 years and was presently claims manager in the Cerritos office. (RT 792) With no further foundation, the deputy district attorney elicited legal opinions from Kuhn regarding paying for patient referrals (RT 794), laboratory fees (RT 794-795), diagnostic imaging (RT 797-798), report editing (RT 798), patient back care (RT 798-799), and reports (RT 799)
- (8) Direct examination by prosecution.
- (9) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.

14. Prosecution Witness Graiwer, Manuel

- (1) Position in narrative **1988** for now because I think *evidence* will show defendant started beginning 1988
- (2) Attorney, Graiwer & *Michael* Goldberg. I think Gardner's attorney is *Alan* Goldberg, Stern and Goldberg.
- (3) February 6, 2000, no digital hits. Apparently Richard has *no* witness statement(s), per January 26, 2000. Not surprised. Witness is a lawyer.
- (4) Notes.
 - i Is this the Mexican Judge Judy on television now? An FBI report says "Graiwer" is phonetic. Witness drives NSX just like codefendant Gardner.
 - ii Will witness take 5th?
 - iii Here is *Mroch's* 1996 grand jury testimony:

Are you aware of [Graiwer] and Goldberg?

Yes.

How?

We cut them substantial checks often.

What does "often" mean?

Every other week, every month.

"Substantial checks," what does that mean?

\$50,000, 40,000.

Did you ever receive a bill from them?

No, I did not.

Did you ever ask anyone what this was for?

Yes.

Who did you ask?

Dr. Gardner. In fact, every time a check is requested, if I don't have an invoice, then I have a check request signed by him authorizing the disbursement of funds.

When you asked him what it was for, what was his response?

"It's for legal services."

Was Gardner involved at all in any significant litigation at that time?

Not that I was aware of, sir.

Did he have any particular legal problems that you were aware of?

No, sir.

How long did this relationship last with this law firm?

It was still going on when I left. See May 1966 grand jury RT 98.

iv Mroch told Oard Manny Graiwer got checks.

v Alleged acts 17, 18, 21. Asher Gould checks.

- (5) Prosecution listed? Yes.
- (6) Rap sheets—see
- (7) References (chronologically).
- (8) Direct examination by prosecution.
- (9) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.

15. Prosecution Witness Goldberg, Michael

- (1) Position in narrative **following Graiwer**
- (2) Attorney, Graiwer & Goldberg, law partner of prosecution witness Graiwer, Manuel
- (3) Notes
 - i See Graiwer
 - ii Will witness take 5th?
 - iii Acts 17, 18, 21. Defendant and codefendant Gardner Asher Gould checks.
- (4) February 6, 2000, no digital hits. Apparently Richard has *no* witness statement(s), per January 26, 2000.
- (5) Prosecution listed? Yes.
- (6) Rap sheets—see
- (7) References (chronologically).
- (8) Direct examination by prosecution.
- (9) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.

16. Prosecution Witness codefendant Vincent A. Punturere

- (1) Position in narrative **January 1988** to maybe August 31, 1994

- when PriMedex Corporation settles codefendant Punturere's claim against PriMedex Corporation for \$140,000 plus \$50,000.
- (2) Codefendant Gardner employee
 - (3) Acts 1-23
 - (4) Listed yes. Punturere, Vincent
 - (5) Rap sheets—see
 - (6) January 1988? Witness starts
 - (7) December 1, 1992, taped statement. Rebecca says no report.
 - (8) October 5, 1994. Witness's depo taken in Mikhall v. Gardner.
 - (9) March 1, 1995, witness's residence searched, per March 2, 1995. Taped statement. Rebecca says no report.
 - (10) August 22, 1995, interview, per August 31, 1995. Taped. To district attorney investigator Waddle. Chaney there. Witness says he was unaware his tax returns were improper. Defendant not mentioned.
 - (11) September 13, 1995. Witness fax to Loh
 - (12) September 27, 1995. Witness filed false tax returns.
 - (13) March 2, 1999. Interview apparently by Flores. Taped.
 - (14) March 31, 1999, taped statement.
 - (15) Direct examination by prosecution.
 - (16) Cross examination
 - i By Richard/Leslie.
 - ii By Edward Murphy.
 - (a) PriMedex Corporation began using Medical Media's services approximately before 1988, definitely before the time defendant became associated with PriMedex Corporation. (Medical Media apparently is Los Angeles Medical Media, Inc., per January 31, 1995? No, no, not correct! July 2, 1990, *Los Angeles Medical Media, Inc.*, incorporated. People's Exhibit 4L. Defendant is CEO, director, agent for service. Medical Media dba Injury Hotline was witness's.)
 - (b) Defendant was not involved in or consulted about the production or design of the contents of commercials and advertisements produced or aired by Medical Media. Defendant was not involved in or consulted about Medical Media's practices and policies on how Injury Hotline callers were referred to physicians, including specifically whether the patients were permitted to select a physician from the entire pool of doctors who subscribed to Medical Media's services. (Defense Exhibit A, page 25)
 - iii By codefendant's lawyer Richard/Leslie

17. Prosecution Witness Larry Parker

- (1) Position in narrative **February 3, 1988**, through December 3, 1993.
- (2) Attorney. I practice law in the personal injury field. (November 16, 1995, RT 83) I received \$7,604,811.39 from codefendant Gardner. What about defendant?
- (3) Alleged acts 17, 18, 21
- (4) Notes.
 - i Parker was an attorney that sent the medical corporations *personal injury* cases. The prosecution offered no evidence that Parker sent a workers' compensation patient to the medical corporations. Defendant did not know checks he signed payable to Asher Gould Advertising were for Parker. Defendant had no control over payments to Parker.
 - ii Most personal injury patients *Gardner deleted* were Parker clients, per Directo, December 17, 1991, page 36.
 - iii Peter Nicholson identified People's Exhibit 6B as cash receipts for Asher Gould Advertising client Parker from 1988 through 1993. (RT 190) The entries in People's Exhibit 6B total \$7,604,811.39 starting February 3, 1988, and ending December 3, 1993. Nicholson testified the checks in People's Exhibit 6C2 are in the list of cash receipts for Parker. (RT 192-193)
 - iv Mroch testified Larry Parker was an attorney that sent the medical corporations personal injury cases. (RT 103) Mroch was shown 17 checks marked People's Exhibit 6C2 apparently drawn on PriMedex Corporation accounts with Imperial Bank and First Charter Bank. (RT 105) Mroch said he saw defendant's signature on three checks payable to Asher Gould Advertising. Two checks apparently were dated February 4, 1991, and February 14, 1991, after Mroch was fired in September 1990. Mroch said he saw defendant's signature on Check 4661. There is no Check 4661 with defendant's signature. (RT 105) There is a June 1, 1990, check, # 4664, drawn on PriMedex Corporation's account at Imperial Bank for \$15,000 payable to Parker signed by defendant.
 - v Assuming the district attorney alleges that an individual claims he/she was paid or received consideration specifically in return for any referral, including workers' compensation claimants, to either the medical corporations or to an attorney, this same individual can testify that defendant did not approve or encourage him/her to pay or receive consideration specifically in exchange for the patient referrals. He/she did not have conversations with defendant in which the payment or receipt of consideration

specifically in exchange for patient referrals was discussed. He/She knows of no facts that establish defendant knew that he/she was paid or received consideration specifically in exchange for the referral of patients.

- (5) Listed? Yes
 - (6) Rap sheets—see
 - (7) February 3, 1988. The document in May 1966 grand jury is February 3, 1988, to December 3, 1993. It says “Larry Parker.” Total is \$7,604,811.39. People’s Exhibit 6B.
 - (8) November 16, 1995. Grand jury. Witness takes 5th. RT 83
 - (9) Direct examination by prosecution.
 - (10) Cross examination
 - i By Richard/Leslie
 - ii By Edward Murphy
18. Prosecution Witness Williams, Donna
- (1) Position in narrative **August 12, 1988**, to May 1994.
 - (2) PriMedex Corporation deposit clerk. African American?
 - (3) Defendant’s name and vice president on company letterhead, defendant got faxes and letters indicating vice president from Alan Goldberg, and defendant had plaque in his office that said vice-president.
 - (4) Acts 1-6, 8, 9, 19
 - (5) Notes.
 - (6) Prosecution listed? Yes.
 - (7) Rap sheets—see
 - (8) Maybe *Donna Marie Williams* January 19, 1996, statement is this witness
 - (9) May 1966 grand jury.
 - i Donna Marie Williams started working for PriMedex Corporation August 12, 1988, as a deposit clerk, and was laid off in May 1994. (RT 455-456) Williams testified defendant attended a meeting where codefendant Gardner offered full time schooling to employees that wanted to go to school. (RT 458-459) She attended another meeting in which defendant talked about how the company was sold. (RT 460) Clerk Williams testified she knew defendant’s job title was “vice-president” because she had seen his name on a company letterhead “as stating so.” Defendant got faxes and letters indicating his title from Alan Goldberg, who was the company attorney, and defendant “has a plaque in his office that says ‘vice-president.’” (RT 462-463)
 - ii Of the thousands of pages of exhibits offered by the prosecution, the defense is unable to find a single

letterhead that supports the clerk's testimony that defendant was shown as a vice president of any of codefendant Gardner's corporations.

- (10) Direct examination by prosecution.
 - (11) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.
19. Prosecution Witness Corrales, Durwin
- (1) Position in narrative **1989** to 1992
 - (2) PriMedex Corporation office manager, then collections
 - (3) Acts 2, 8, 21 .
 - (4) Prosecution listed? Yes
 - (5) Rap sheets—see
 - (6) Durwin and Norman brothers, per defendant November 21, 1999.
 - (7) January 28, 1994, tape/statement to district attorney investigator? A report says statement given on February 3, 1994. Per February 4, 1994. Melbourn.
 - i All of PriMedex Corporation's billing information and rates were programmed into its billing department computers. Witness specifically stated that only four people had authority to set or revise the programmed billing rates. (Melbourn Report at page 1) Defendant was not one of the individuals with authority to set or review PriMedex Corporation's billing rates. Witness never saw or heard directly of any kickbacks to the attorneys. (Melbourn Report at page 2) Codefendant Punturere was the person in charge of talking with the attorneys and keeping track of the patients being treated. (Melbourn at page 2)
 - (8) November 16, 1995, grand jury starts RT 14.
 - (9) Direct examination by prosecution.
 - (10) Cross examination
 - i By Edward Murphy.
 - (a) Former PriMedex Corporation's manager Durwin Corrales can testify that defendant did not participate or have authority in setting or revising the billing rates for the medical corporations' medical services. This testimony is consistent with statements Corrales previously made during his January 28, 1994 interview with the district attorney. In that interview, Mr. Corrales indicated that all of PriMedex Corporation's billing information and rates were programmed into its billing department computers. He specifically stated that only four people had authority to set or revise the programmed

- billing rates. (Melbourn Report at page 1) Witness will testify that defendant was not one of the individuals with authority to set or review PriMedex Corporation's billing rates.
- (b) Mr. Corrales can testify about critical exculpatory information which corroborates defendant's position that he reasonably believed PriMedex Corporation did not pay consideration to any third-parties (including attorneys) in return for their referral of patients to the medical corporations. This testimony is consistent with statements Mr. Corrales made during his January 28, 1994 interview with the district attorney wherein he said he never saw or heard directly of any kickbacks to the attorneys. (Melbourn Report at page 2)
- (c) Mr. Corrales stated during his January 24, 1994, district attorney interview that codefendant Punturere was the person in charge of talking with the attorneys and keeping track of the patients being treated. (Melbourn at page 2) Mr. Corrales never suggested that defendant had direct dealings with attorneys nor that he ordered the patient referral sources to be tracked.
- (d) Witness previously testified before a grand jury panel November 16, 1995. Mr. Corrales will testify and provided critical exculpatory evidence to corroborate defendant's position that he reasonably believed Priniedex Corporation did not compile statistical data for the purpose of paying attorneys for patient referrals. This testimony would be consistent with Mr. Corrales's November 1995 testimony before a grand jury panel as well as with statements he made during his January 1994 district attorney interview. Mr. Corrales previously testified he was responsible for compiling the patient statistical reports. However, he consistently maintained that the numbers were kept just to keep track of the patients, to see where the payments on medical liens were coming from. (1995 RT 20) Mr. Corrales further explained that the reports did not contain billing or collection information regarding the profitability of each patient's case. (1995 RT 29) Mr. Corrales will testify and significantly elaborated upon the underlying facts of his prior testimony when asked specific relevant questions. Mr. Corrales

testified that he would give the statistical reports to codefendant Gardner or codefendant Punturere so that codefendant Gardner or codefendant Punturere could know what attorneys were sending cases to them. (1995 RT 20) Significantly, Mr. Corrales never suggested defendant ordered, received, or reviewed the reports. Upon repeated questioning as to why PriMedex Corporation kept track of the patient referral sources, Mr. Corrales responded, “You would have to ask Dr. Gardner that question.” (1995 RT 22) Significantly, Mr. Corrales never attributed defendant as having such knowledge.

ii By codefendant’s lawyer.

20. Prosecution Witness Hersh, Stan

- (1) Position in narrative from **February 1989**
- (2) Owned Fast Cash Check Cashing
- (3) Cashed checks for codefendant Gardner
- (4) Acts 10-12, 21. Act 10 is checks Hersh
- (5) Prosecution listed? Yes.
- (6) Rap sheets—see
- (7) May 1966 grand jury.
 - i Stan A. Hersh testified he owned Fast Cash Check Cashing
 - ii When did you first meet Mr. Gardner? February 1989.
 - iii Witness cashed checks for codefendant Gardner (RT 650-659)
- (8) Direct examination by prosecution.
- (9) Cross examination
 - i Richard/Leslie
 - ii Edward Murphy

21. Prosecution Witness Lowrey aka “Lowery,” Janel. Rebecca says Lowrey! Rebecca is right. I see Lowrey’s *signature*.

- (1) Position in narrative **June 1989** until December 1992; August 22, 1992.
- (2) Controller? PriMedex Corporation. There June 1989 until December 1992. Terminated. African American.
- (3) Acts 1-12, 14, 17-19. Defendant’s total accrued earnings.
- (4) Defendant indicates to Edward Murphy witness can help discredit Mroch. Maybe witness knew about Mroch’s embezzlement. Yes. See Lowrey October 4, 1995, statement. Per October 8, 1995. Witness and Ambrose found post office box where Mroch’s supplier was. Watch out! The prosecution expected witness to testify defendant gave witness the columns in which to enter Gardner’s \$9800 checks.

- (5) Apparently Richard *has* witness statement(s), per January 26, 2000.
- (6) Notes.
 - i The deputy district attorney asked *Corrigan*:

Q. While you were the assistant controller, who was the controller?

A. Janette Lowrey.

Q. Do you know whether or not the same protocol was in effect at PriMedex Corporation whereby Janette—Janel would automatically report to Mr. Goldblum?

A. Yes.

Q. So she was not a controller who had—who headed up the billing and collections and signed the checks?

A. No. (RT 486)

The deputy district attorney asked Corrigan:

Q. While you were assistant controller *or* assistant to the controller, who did you report to other than to the controller?

A. Janel Lowrey. (RT 218; emphasis added)

Lowrey reported to defendant. (RT 218) Corrigan testified he, defendant and Lowrey were in meetings. (RT 218) Lowrey and Corrigan gave defendant reports. (RT 218)

Rhodes testified he recovered People’s Exhibit 16L2 from defendant’s house on June 22, 1994. (RT 850) Exhibit 16L2 is a memo from Lowrey to defendant dated August 22, 1992. Subject is “Your Account.” It shows “total accrued earnings as of July 31, 1992, of, apparently, \$297,678. It lists cash payments February through July. It lists checks issued to defendant in January and February 1992 totaling, apparently, \$219,470.85. It lists 19 checks issued to Health System Financial Corporation, February 25, 1992, through August 18, 1992, totaling, apparently, \$643,360.54.

- (7) Prosecution listed? Yes.
- (8) Rap sheets—see
- (9) OUCH. Why is *defendant* requesting \$9800 checks? Witness’s statement indicates the check requested by defendant would be payable to defendant. Will district attorney argue defendant needed cash to pay attorneys too? I don’t think so. Probably worse if it turns out that defendant is requesting checks payable to *Gardner*. The argument is defendant knew Gardner needed cash to pay attorneys and defendant was helping him. See November 10, 1995.
- (10) August 31, 1995. Loh calls witness. She refuses to talk to him. Per September 7, 1995.
- (11) October 4, 1995, taped statement. Per October 8, 1995. Tape bad,

March 28, 2000, Rebecca has Shidler checking. **Defendant would also request \$9800 checks.** *Lowrey says Mroch wrote checks to nonexistant business he had his girlfriend cash. See October 8, 1995: there are two different Los Angeles district attorney reports!!!!!!*

- (12) Direct examination by prosecution.
- (13) Cross examination
 - i By Edward Murphy.
 - (a) Witness maybe a druggie. See November 21, 1995.
 - ii By codefendant's lawyer.

22. Prosecution Witness Stein, Michael

- (1) Position in narrative about **August 1989** to December 1989
- (2) Owner Check Cashing Store.
- (3) Witness cashed Gardner's checks. Acts 11, 12.
- (4) Prosecution listed? Yes.
- (5) Rap sheets—see
- (6) March 8, 1995, taped statement. Witness cashed Gardner's checks.
- (7) Direct examination by prosecution.
- (8) Cross examination
 - i By Richard/Leslie
 - ii By Edward Murphy

23. Prosecution Witness Kowal, Abe

- (1) Position in narrative **December 28, 1989**
- (2) Imperial Bank officer
- (3) Act 20. Defendant was 5% owner of PriMedex Corporation
- (4) Notes.
 - i Fratto testified People's Exhibit 16A2, dated December 28, 1989, entitled "Imperial Bank Special Loan Minutes Report." (RT 490) Fratto testified People's Exhibit 16A2 was "an internal transaction prepared by the bank." (RT 490) On page 3 of People's Exhibit 16A2, under "% Owned," following defendant's name, it says "5," followed by "PriMedex Corporation." The deputy district attorney asked Fratto:

Q. And that was based upon information provided to you by the lender, the person—

A. By the borrowers, yes. (RT 491)

Page 1 of People's Exhibit 16A2 lists the borrowers—and guarantors. The borrowers are La Brea Medical Management Corporation, Gardner Medical Group, Inc., Crown Imaging Associates Medical Group, Inc. The guarantors are codefendant Gardner and his parents, Lloyd R. and Eudice Goldberg. Defendant's name is not listed as a borrower or guarantor. On page 10 of Exhibit 16A2 defendant is listed as a

consultant. Do you recognize the signature at the bottom? Yes. **The signature on the bottom left is that of Abe Kowal. Who is Abe Kowal? Abe Kowal was a bank officer who was in the asset base lending group.** The loan was approved and funded. (RT 492)

- (5) Prosecution listed? Yes.
- (6) Rap sheets—see
- (7) References (chronologically).
- (8) Direct examination by prosecution.
- (9) Cross examination
 - i By Edward Murphy.
 - ii By Richard/Leslie

24. Prosecution OUCH Witness Sarfati, Cynthia

- (1) Position in narrative “maybe” **1990**
- (2) Sarfati’s supervisor was Directo. Daughter of OUCH Mroch.
- (3) Defendant said **not a good idea** for the couriers that come to copy medical records to be able to see Crown Imaging located at the Bristol Park address.
- (4) Acts 1-4, 8
- (5) Notes.
- (6) Prosecution listed? Yes.
- (7) Rap sheets—see
- (8) January 18, 1996, taped statement. Report at January 18, 1996. April 1, 2000, Rebecca to make RT important parts.
- (9) May 1966 grand jury.
 - i Codefendant Gardner owned and operated Crown Imaging Associates Medical Group, Inc. (RT 214) Mroch testified Crown Imaging had no scanning equipment. (RT 87) Cynthia Anne Sarfati testified Crown Imaging “had M.R.I.’s and C.A.T. scans in other places.” (RT 255)
 - ii Codefendant Gardner would rebill under the Crown Imaging letterhead. (RT 87) Sarfati worked for codefendant Gardner from mid-1988 to January 1992. (RT 254) Sarfati’s supervisor was Directo. (RT 256) Sarfati testified:

- A. They wanted Elizabeth Directo to put Crown Imaging on top of the letterhead, on the top of the C.A.T. scans and things that had been done.
- Q. Just the name on the billing?
- A. Just the name.
- ...
- Q. Did you ever have any conversations with Stanley Goldblum concerning Crown Imaging at the Bristol Park address that would reflect Crown Imaging was there?
- A. Yes.
- Q. How many conversations?
- A. One.
- Q. Do you recall when that was?
- A. Maybe 1990.
- Q. How did that come up?
- A. The billers and I thought it would be very helpful for the couriers that come to copy medical records to be able to see where we were located and he said that was not a good idea. (RT 256, 271-272)

iii Sarfati recognized a May 23, 1990, memo from McCranie to “all office managers” telling when and when not to change the letterhead. (RT 263-264) The memo indicates Sarfati, Keshishian and defendant to receive a copy. (People’s Exhibit 12C) Mroch testified defendant got copies of reports that listed particular procedures. (RT 183)

iv Sarfati testified to receive checks from the insurance companies, Crown Imaging used 11802 Washington Boulevard, Suite 605, Los Angeles, which was a post office box. (RT 259) Codefendant Gardner or Directo would direct the couriers how to pick up the mail. (RT 259) When Sarfati got the mail it was never unopened. (RT 261)

(10) Direct examination by prosecution.

(11) Cross examination

i By Edward Murphy.

ii By codefendant’s lawyer.

25. Defense Witness Stewart Kahn

(1) Position in narrative **1990** through 1993.

(2) Independent finance and leasing agent worked with PriMedex

- Corporation.
- (3) Notes. Mr. Kahn could provide testimony supporting the conclusion defendant was not an equity owner of PriMedex Corporation.
 - (4) Subpoena served? Navarro.
 - (5) Rap sheets—see
 - (6) March 16, 1995, taped statement to district attorney investigator John Grogan.
 - (7) May 19, 1995. Witness declaration. Witness is a character witness.
 - (8) Direct examination by Edward Murphy.
 - i Witness was an independent finance and leasing agent who previously worked with PriMedex Corporation.
 - ii Between approximately 1990 and 1993, witness worked with PriMedex Corporation personnel and helped the company negotiate and liquidate its equipment leases. He also helped the company to obtain loans from various banking institutions. Through the course of witness's professional relationship with PriMedex Corporation, he had access to and carefully reviewed the company's corporate and financial records, and he also had substantial contacts with various individuals associated with PriMedex Corporation, including defendant. Based on his knowledge of the company, his contacts with the company's personnel and defendant, and his own careful review of PriMedex Corporation's corporate and financial records, he has no reason to believe that defendant was an equity owner of PriMedex Corporation, and that in fact defendant was *not* an equity owner of PriMedex Corporation.
 - iii Stewart Kahn, an independent finance and leasing agent who worked for PriMedex Corporation, would have testified and corroborated the testimony of Mr. Alson. (Defense Exhibit A, page 58)
 - iv The district attorney interviewed Stewart Kahn, an independent finance and leasing agent who worked for PriMedex Corporation. His interview with district attorney investigator John Grogan was tape recorded. Mr. Kahn would have testified that in late July and early August, 1993, Mr. Kahn had numerous conversations with defendant in which defendant expressed his extreme disapproval and disappointment over the parent company's determination to terminate the medical corporations' clinical operations. (Defense Exhibit A, page 68) The determination to shut down the clinical operations was made by the parent company in New Jersey, not defendant.

Defendant was personally strongly opposed to the determination to shut down the clinical operations. Defendant was deeply concerned about this decision due to factors other than that he was going to lose his job and suffer a large personal financial loss. Specifically, defendant was most disturbed by the fact that other employees and associates of PriMedex Corporation and the medical corporations would become unemployed due to the clinic closures. Defendant repeatedly stated that he felt it was a great shame that all the medical and administrative skill, know-how and technology which these people had developed would be wasted as a result of the clinical operations shutdown. Defendant repeatedly vented his frustration at the fact that he had absolutely no control over the determination to shut down the clinics, and that there seemed nothing he could do to salvage the situation. Defendant was so troubled by this prospect that he worked with and advised Stewart Kahn on producing a proposal for a healthcare finance company called Summit Capital. Under the proposal, Summit Capital would absorb and utilize most of PriMedex Corporation's then-existing employees, infrastructure and proprietary technologies and redeploy them into a full service finance and consulting company for healthcare providers. Defendant contributed to the Summit Capital proposal purely out of his intense compassion and loyalty to the hundreds of PriMedex Corporation personnel who were to be laid off as a result of the clinic closures. Defendant expected to reap no personal financial benefits from the Summit Capital venture. He gave Mr. Kahn valuable free advice and did not intend to stay with the company if it was formed. Had defendant the authority to approve the Summit Capital proposal, he would have. However, the authority for such a decision at that time was vested in Robert Caruso, the man then hand-picked by the PriMedex Health Systems, Inc., controlling shareholder, Robert Brennan, to succeed as the parent company's vice-president and chief financial officer. Mr. Caruso summarily rejected the Summit Capital proposal in or about October, 1993. During the time when the medical corporations' clinics were in the process of being shut down in the fall of 1993, Robert Caruso was the authoritative person overseeing, monitoring, and making operational management decisions for PriMedex Health Systems, Inc., PriMedex Corporation, and the medical corporations. (Defense Exhibit A, pages 68-69)

- (9) Cross examination.
 - i By prosecutor.
 - ii By codefendant's lawyer Richard/Leslie

26. Defense Witness Richard Cole

- (1) Position in narrative **1990** to 1992.
- (2) Partner Grant Thornton.
- (3) Defendant was never elected, appointed, or otherwise designated as a corporate officer for PriMedex Corporation. But can I get some kind of stipulation from district attorney and Leslie?
- (4) Notes.
 - i Richard Polep aka Polyp and Richard Cole, partners from Grant Thornton, will testify and corroborated the testimony of Roger Tolins. (Defense Exhibit A, page 26)
- (5) Subpoena served? 1000 Wilshire Blvd., Suite 700, Los Angeles, CA.
- (6) Rap sheets—see
- (7) December 14, 1994, taped statement to district attorney investigator Waddle. Re Gardner's tax returns.
- (8) January 6, 1995, taped statement. Report says tape 95-35CC. Witness says Gardner was only officer in 1991 apparently despite Gardner Medical Group 1991 tax return. Witness doesn't seem to hurt defendant.
- (9) October 10, 1995, taped statement 95-630CO. Tape of witness and Richard Polyp. Is this Polep? Yes. District attorney investigator Flores interviews Cole and Polep aka Polyp. *Polyp says defendant is not a 5% owner of corporation although Polyp feels at one time it was intended.*
- (10) October 18, 1995. Telephone interview Cole. Defendant not mentioned.
- (11) 1995? taped statement on 95- 111MCO. Rebecca, what is this tape? October 18, 1995?
- (12) Direct examination by Edward Murphy.
 - i Mr. Richard Cole is tax partner at the accounting firm of Grant Thornton. Grant Thornton served as PriMedex Corporation's independent corporate accountant and auditor between approximately 1990 and 1992. Mr. Cole would have provided the following critical exculpatory testimony in support of defendant's position that he was not an officer of PriMedex Corporation. Mr. Cole was

personally responsible for the PriMedex Corporation account and he supervised the preparation of PriMedex Corporation's tax returns. Mr. Cole was consulted on and provided information for Grant Thornton's preparation of certified financial audits of PriMedex Corporation. Through the course of providing professional services to PriMedex Corporation, Mr. Cole conducted extensive due diligence review of PriMedex Corporation's corporate, tax and financial records, corporate history, and business operations. Mr. Cole will testify defendant was never elected, appointed, or otherwise designated as a corporate officer for PriMedex Corporation. Mr. Cole has no reason to believe defendant was an officer of PriMedex Corporation, and in fact, he believes Mr. Goldblum worked as consultant for the company.

- ii During the course of witness audits of PriMedex Corporation and/or PriMedex Health Systems, Inc., witness did not discover any information which demonstrates that defendant knowingly participated in any fraudulent, illegal or improper conduct relative to the companies' business operations. During the course of witness audits, witness did not discover any information which demonstrates that defendant directed anyone else to engage in fraudulent, illegal or improper conduct relative to the business operations of PriMedex Health Systems, Inc., and/or PriMedex Corporation. During the course of witness audits, witness did not discover that either company was engaged in any activity that was fraudulent, illegal or improper. Had witness discovered any such information, witness would have alerted the management and/or board of directors of PriMedex Health Systems, Inc., or PriMedex Corporation. Had witness discovered any such information, witness would not have issued a certified audit opinion letter. (Defense Exhibit A, pages 53-55)

(13) Cross examination.

- i By prosecutor.
- ii By codefendant's lawyer Richard/Leslie

27. Defense Witness Richard Polep? Aka Polyp?

- (1) Position in narrative **1990** and thereafter
- (2) Certified public accountant, Grant Thornton.
- (3) *Defendant is not a 5% owner of corporation.*
- (4) Notes.
 - i Richard Polep aka Polyp and Richard Cole, partners from Grant Thornton, will testify and corroborated the testimony

- of Roger Tolins. (Defense Exhibit A, page 26)
- (5) Subpoena. 1000 Wilshire Blvd., Suite 700, Los Angeles. Navarro?
 - (6) Rap sheets—see
 - (7) October 10, 1995, taped statement 95-630CO. Tape of Cole and Richard Polyp. Is this Polep? Yes. District attorney investigator Flores interviews Cole and Polep aka Polyp. *Polyp says defendant is not a 5% owner of corporation although Polyp feels at one time it was intended.*
 - (8) December 30, 1995. Defendant says witness is a liar!
 - (9) Direct examination by Edward Murphy.
 - i Witness and Richard Cole, partners from Grant Thornton, will testify and corroborate the testimony of Roger Tolins. (Defense Exhibit A, page 26)
 - ii I think codefendant Gardner sues Grant Thornton.
 - (10) Cross examination.
 - i By prosecutor.
 - ii By codefendant's lawyer.
28. Prosecution Witness Lampa, Felix
- (1) Position in narrative I think **1990** through 1993
 - (2) Filipino auditor on behalf of First Charter Bank; auditor of PriMedex Corporation.
 - (3) Accrual basis PriMedex Corporation profitable. But it is cash you should consider. I determined defendant owned 5% of PriMedex Corporation.
 - (4) Witness to prove acts 20, 21. Defendant was 5% owner of PriMedex Corporation
 - (5) Prosecution listed? Yes.
 - (6) Notes.
 - i February 6, 2000, no digital hits. Apparently Richard *has* witness statement(s), per January 26, 2000.
 - ii March 31, 2000. Use Sheldon to rip this testimony to shreds. I want Sheldon to see Rebecca's RTs also listen to tape.
 - (7) Rap sheets—see
 - (8) September 15, 1995, taped statement. Per September 22, 1995, report. March 31, 2000: Rebecca preparing RT.
 - (9) Direct examination by prosecution.
 - (10) Cross examination
 - i By Edward Murphy. This witness can be successfully cross examined.
 - ii By codefendant's lawyer.
29. Prosecution OUCH Witness Mintz, Donald

- (1) Position in narrative **March** or April of **1990**
- (2) Senior vice president of First Charter National Bank
- (3) Act 20. Imperial Bank. District attorney mistake!!! Witness is *First Charter*.
- (4) Defendant initialled as shareholder. 13 checks payable to Gardner signed by defendant including checks for \$900,000, \$350,000 and \$300,000.
- (5) Apparently Richard has witness statement(s), per January 26, 2000.
- (6) Prosecution listed? Yes.
- (7) Rap sheets—see
- (8) December 20, 1995, taped statement. Rebecca says no report.
- (9) May 1966 grand jury.
 - i Mintz testified he was senior vice president of First Charter National Bank when he was introduced to codefendant Gardner and defendant in March or April of 1990. (RT 592-593) A loan was negotiated that peaked at \$2.5 million. (RT 594) Mintz identified signed and initialed documents dated June 19, 1990, (People’s Exhibits 16B1 and 16B2) authorizing PriMedex Corporation to borrow money from First Charter National Bank. (RT 595-598) Mintz testified defendant initialed page 3 of People’s Exhibit 16B2 which says defendant (along with codefendant Gardner) was a stockholder of PriMedex Corporation. Mintz testified he thought defendant told him he owned five percent of the stock. (RT 598) Codefendant Gardner personally guaranteed the loan. (RT 612)
 - ii Mintz identified a signature card for a PriMedex Corporation account with First Charter National Bank. (RT 602) The authorized signatures were codefendant Gardner, Goldberg, Mroch and defendant. (RT 602) Defendant is not identified as an officer.
 - iii Mintz identified a signature card for a “Crown Imaging Associates Grouping” account with First Charter National Bank; the authorized signatures were codefendant Gardner, Goldberg, Mroch and defendant. (RT 602-603)
 - iv The deputy district attorney showed Mintz a binder of checks designated 5F16, not copied but, according to People’s Exhibit 1, identified by the deputy district attorney in his opening statement as an exhibit list (RT 5), were available to the grand jury. Mintz “recognized” the checks as Gardner Medical Group payable to codefendant Gardner. (RT 605) The deputy district attorney showed Mintz 13 of the checks, announcing each check’s number but not its date, which purported to be payable to

codefendant Gardner and signed by defendant. The deputy district attorney read the amounts of some of the 13 checks. The deputy district attorney said Check No. 3413 was for \$900,000, Check No. 3414 for \$350,000 and Check No. 9778 for \$300,000. (RT 605-606) All the checks designated 5F16 except one were deposited in codefendant Gardner's personal account. (RT 611)

v The deputy district attorney showed Mintz more checks perhaps designated People's Exhibit 5F18.² (RT 607) Mintz testified the checks were drawn on First Charter National Bank, signed by defendant and payable to codefendant Gardner. Check No. 11445 drawn on the PriMedex Corporation account with First Charter National Bank was in the amount of \$200,000. (RT 608) Check No. 1456 drawn on the Crown Imaging Associates account with First Charter National Bank was for \$200,000. All the checks designated 5F18, date not given, were deposited in codefendant Gardner's personal account. (RT 610)

(10) Direct examination by prosecution.

(11) Cross examination

i By Edward Murphy.

ii By codefendant's lawyer.

30. Prosecution OUCH Witness McCranie, Charles

(1) Significant testimony **May 23, 1990**

(2) Diagnostic Director (Gardner corporation)

(3) Memo when to and not to change letterhead to Crown. Copy to defendant

(4) Acts 1-4, 8

(5) Notes.

i Sarfati recognized a May 23, 1990, memo from McCranie to "all office managers" telling when and when not to change the letterhead. (RT 263-264) The memo indicates Sarfati, Keshishian **and defendant to receive a copy.** (People's Exhibit 12C) Mroch testified defendant got copies of reports that listed particular procedures. (RT 183)

(6) Prosecution listed? Yes.

(7) Apparently Moss *has* witness statement

(8) Rap sheets—see

(9) References (chronologically).

(10) Direct examination by prosecution.

2. The deputy district attorney said, "Showing you what has been previously marked as 5F18, it appears that—strike that."

- (11) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.

- 31. Defense Witness Vincent Ambrose
 - (1) Position in narrative **October 1990**
 - (2) I think worked for/with Lowrey who was controller? PriMedex Corporation.
 - (3) Witness and Lowrey found post office box where Mroch's supplier was. See Lowrey October 4, 1995, statement. Per October 8, 1995. Mroch caught, fired October 1990.
 - (4) Notes.
 - i Bob Navarro needs to find, interview.
 - ii Testimony is not cumulative because they were employed by PriMedex Corporation or the medical corporations during different time periods, and they worked at geographically disparate locations.
 - (5) Subpoena served?
 - (6) Rap sheets—see
 - (7) December 1, 1992, taped interview by district attorney. No report. Defendant, Mroch not mentioned. March 29, 2000, Rebecca to prepare summary.
 - (8) Direct examination by Edward Murphy.
 - i Defendant worked at and his office was located in PriMedex Corporation's Culver City headquarters whereas the medical corporations' multiple clinics (approximately nine in number) were dispersed throughout Southern California at disparate locations such as Pomona, La Brea, and Long Beach.
 - ii Witness worked for the medical corporations. Codefendant Punturere's medical policy and protocol internal memoranda were indicated copied to defendant by virtue of a default setting in Punturere's computer which generated these memoranda. According to witness defendant did not specifically request to receive these documents and nor did he necessarily even read them. Further, defendant, without any medical background, was not able to understand much less evaluate the propriety of the medical protocols described therein. (Defense Exhibit B, page 10)
 - (9) Cross examination.
 - i By prosecutor.
 - ii By Richard/Leslie.

- 32. Prosecution Witness Philip Anan Sobol

- (1) Position in narrative **1991** to 1993
- (2) Gardner corporation surgeon.
- (3) Acts 1-9
- (4) Notes.
- (5) Listed? Yes. Sobol, Philip. Witness may be contacted at 8618 S. Sepulveda Blvd., Suite 130, Los Angeles, CA
- (6) Rap sheets—see
- (7) November 1, 1995, *surreptitiously* taped statement. Bonuses given. Blood work for twisted knee medically inappropriate. Apparently no mention of defendant
- (8) May 1996 grand jury
 - i Dr. Sobol testified he thought he was employed by PriMedex Corporation “between 1991 and 1993.” (RT 838) He went on to testify:

<p>A. When I first joined PriMedex, basically I was a salaried employee. The company then went into a public entity and at that point they wanted to drop my salary down. So, essentially, I allowed them to do that, and then I received compensation, a percentage of collections of the surgeries that I did. That was a direct percentage, no bonus, it was a per surgery basically.</p> <p>Q. A percentage of the bill?</p> <p>A. Of the collection, yes.</p> <p>Q. When did this arrangement begin, do you recall?</p> <p>A. I think the company went public somewhere between six and eight months after I joined. I don't recall the exact dates. And then the contract was changed.</p> <p>Q. Who did you deal with to renegotiate your compensation?</p> <p>A. Dr. Gardner.</p> <p>Q. Did you speak to anybody else about your compensation?</p> <p>A. I think I dealt with Dr. Gardner directly.</p>

- ii The deputy district attorney showed Philip Anan Sobol the undated chart marked People's Exhibit 3A. (RT 840) The chart shows Sobol as chief of medical staff, and Punturere as director of medical staff, bypassing defendant and reporting to codefendant Gardner. (People's Exhibit 3A) Dr. Sobol testified he never reported to defendant. (RT 840)
- (9) Direct examination by prosecution.
 - i Dr. Sobol is a board-certified orthopedic surgeon and an assistant clinical professor at the University of Southern California, Department of Orthopedic Surgery, Sports Medicine.

- (10) Cross examination
- i By codefendant's lawyer Richard/Leslie.
 - ii By Edward Murphy.
 - (a) Witness a primary supervising physician for the medical corporations.
 - (b) Hale received instructions from only Dr. David Gardner and Dr. Phil Sobol as to what per unit costs should be programmed in for each coded procedure printed on the Super Bill.
 - (c) Witness can testify defendant had absolutely no involvement, input, or authority over any aspect of the medical corporations' clinical practice or policy relating to the prescription of blood tests as a diagnostic procedure.
 - (d) Every medical corporations clinical medical and non-medical staff member was issued an internal Fraud Prevention Manual. The Manual is a collection of specific and detailed guidelines and procedures instructing medical corporations personnel on how to detect and handle potentially fraudulent claims for workers' compensation benefits. All clinical medical and non-medical employees were required to sign the Manual to verify that they had carefully reviewed the Manual, and that they promised to enforce all of its provisions.
 - (e) The Manual was written and its provisions were enforced beginning in or before 1990. This was at least two years before December 1, 1992, the date on which the district attorney executed its first series of PriMedex-related search warrants and prior to which no one at PriMedex Corporation or the medical corporations had any reason to believe that their conduct was potentially under investigation by the District Attorney.
 - (f) Provisions in the Fraud Prevention Manual included but were not limited to the following.
 - (i) Each patient must present a valid photo I.D. upon his initial clinical visit to verify his identity. PriMedex Corporation personnel then fingerprinted and photographed each patient during the initial visit to produce an in-house I.D. badge which the patient was required to wear to each subsequent clinical visit, otherwise the patient would not be seen

- or treated. This prevented patients from seeking service under more than one name.
- (ii) A patient will not be evaluated or treated unless, during his initial clinical visit, he signs and dates an anti-fraud disclaimer. The disclaimer states that the patient verifies that all of his work injury claims are genuine and that he will truthfully discuss his medical condition and history with medical corporations personnel
 - (iii) The medical corporations rejected all patients who had recently become unemployed as a result of a business or plant closing
 - (iv) **Over a period of time, the medical corporations phased out and rejected outright all cases involving stress-related workers' compensation claims.**
 - (v) If at any time during a clinical visit the patient indicates, or medical corporations personnel learns, he was not injured during work-related activity or that he was not suffering any physical symptoms as a result of a work-related injury, all work and treatment on the patient must cease immediately.
 - (vi) Dr. Phil Sobol, former Director of the Medical Staff, can testify that it was the medical corporations' clinical policy that no blood tests were to be ordered for a patient unless a highly-qualified physician determined that the procedure was medically necessary and justifiable.
 - (vii) Witness can also testify more generally that blood tests are widely recognized within the medical profession as a standard method to check for latent or pre-existing health conditions which may otherwise exacerbate or mimic a work-related injury and its symptoms.
 - (viii) According to witness blood testing was a particularly essential diagnostic tool for the medical corporations' physicians, given the poor demographic and health backgrounds of the majority of their patients. These patients, on the average, are more likely to suffer from latent or pre-existing health problems.

- (ix) Blood tests were prescribed on patients also to protect the health of other patients as well as the health of the clinical staff from widespread contagious diseases such as AIDS and tuberculosis.
- (x) Witness can give specific illustrations of numerous cases handled by the medical corporations in which blood tests successfully discredited a patient's claim of a work-related injury, thus saving the insurance carrier from incurring what would have otherwise been an unjustified liability.
- (xi) Witness can further testify defendant had no input, control or authority over clinical decisions involving the administration of blood tests on patients.

33. Prosecution Witness Gorges, Gregory

- (1) Position in narrative **January 23, 1991**
- (2) Staff counsel, California Bureau of Consumer Affairs.
- (3) Act 21. I guess district attorney will ask witness hypothetical questions to establish paying Injury Hotline for patients was a violation of the law.
- (4) Prosecution listed? Yes
- (5) Apparently Richard has *no* witness statement(s), per January 26, 2000.
- (6) Rap sheets—see
- (7) January 23, 1991. The district attorney had already been furnished with a copy of the Bureau's opinion. The opinion, dated January 23, 1991, was written by Gregory Gorges. Witness will testify he wrote Medical Media that its operations did not violate Bus. & Prof. Code § 650 so long as patients who called Medical Media for a physician referral were given the entire list of Medical Media's subscribing physicians from which they could select the doctor they desired to see.
- (8) Direct examination by prosecution.
- (9) Cross examination
 - i By codefendant's lawyer Richard/Leslie
 - ii By Edward Murphy.

34. Prosecution Witness Jackson, Richard

- (1) Position in narrative about **August 1991**
- (2) President of Allegiant Physicians.
- (3) Act 21. Stock prospectus said PriMedex Corporation and medical corporations didn't pay for patients. Why would district attorney

want Jackson to prove this? Witness had agreed to pay defendant a fee, if the acquisition was executed, in the amount of \$2 million.

- (4) Notes.
- i The defense made the district attorney aware that the \$1.5 million management consultant fee which defendant received from principals of CCC Franchising Corporation in connection with the CCC Franchising Corporation \$46 million-plus acquisition of Priniedex Corporation assets was not excessive or extraordinary given the value of the acquisition. In fact, the amount was lower than what defendant could have legitimately obtained elsewhere for the same exact acquisition.
 - ii Subpoena served? 500 Northridge Road, Atlanta, GA 30350
- (5) Prosecution listed? Yes.
- (6) Rap sheets—see
- (7) August 1991? I would think defendant was talking to Jackson at least two or three months before the October 1, 1991, draft letter of intent to buy PriMedex Corporation. Directo in one or more of her statements said she quit because her future was certain if and when PriMedex Corporation was sold. A guess would be defendant found Jackson in August 1991. Ask defendant. Jackson says he met defendant in 1991—per October 23, 1995. Defendant contacted Jackson.
- (8) ??? 1991. Apparently Jackson meets with defendant in Jackson's field office in Marina Del Rey.
- (9) October 1, 1991.
- i Draft letter of intent apparently *from* Pain Centers of America, Inc., in Atlanta. I guess Pain Centers is Robert Jackson. Yes. Pain to purchase PriMedex Corporation assets for \$40 million. \$25,000,000 cash, \$15,000,000 note. I'm not sure who *drafted* the letter. Letter says from October 1, 1991, to January 1, 1992, PriMedex Corporation shall not engage in sales negotiations with any other party. No mention of finder's fee.
 - ii What was defendant going to get for this? See Jackson's October 23, 1995, statement to Loh. Jackson confirms the letter and says he also argeed to pay defendant 5% of \$40,000,000, or \$2,000,000 as finder's fee.
- (10) October 23, 1995, witness statement to Loh. *Defendant is honorable person.*
- (11) Direct examination by prosecution.
- (12) Cross examination
- i By Edward Murphy.

- (a) Richard Jackson, president of Allegiant Physicians, Inc., will testify in or about late 1991, he engaged in extensive negotiations with PriMedex Corporation in connection with his contemplated acquisition of the company. Prior to the end of 1991 he nearly consummated the acquisition, but ultimately he could not come to terms with PriMedex Corporation to finalize the transaction. Thereafter, CCC Franchising purchased the assets of PriMedex Corporation. He and his attorneys conducted extensive due diligence review of PriMedex Corporation's corporate and financial records, corporate history, and business activities. Mr. Jackson and his attorneys had extensive dealings and contacts with PriMedex Corporation company officials and personnel in negotiating the contemplated transaction. Based on his knowledge of the company and his thorough examination of its corporate and financial records, corporate history, and business activities, Mr. Jackson will testify defendant worked as a consultant to PriMedex Corporation—he was not an officer of the company.
 - (b) Richard Jackson, president of Allegiant Physicians, Inc., would have testified that in or about November or late December 1991, he had extensive contacts with defendant about acquiring PriMedex Corporation. He had nearly finalized negotiations with PriMedex Corporation and its then- president, codefendant Gardner, to make the acquisition for approximately \$46 million or more. Witness had agreed to pay defendant a fee, if the acquisition was executed, in the amount of \$2 million.
 - (c) The plans for the acquisition fell through by the end of 1991 because he was unable to come to terms with PriMedex Corporation and codefendant Gardner about some aspects of the sale. (Defense Exhibit A, page 75)
- ii By codefendant's lawyer Richard/Leslie. I guess Richard/Leslie will ask witness if he ever mentioned defendant's finder's fee to Gardner
35. Prosecution Witness Wolf, Franklin
- (1) Position in narrative **October 1991**
 - (2) F. N. Wolf & Co., Inc.
 - (3) Underwriter of PriMedex Health Systems, Inc., public offering

- (4) Acts 1, 21-23
- (5) Apparently Richard has *no* witness statement(s), per January 26, 2000.
- (6) Notes.
- (7) Prosecution listed? Yes.
- (8) Rap sheets—see
- (9) References (chronologically).
- (10) Direct examination by prosecution.
- (11) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.

36. Prosecution Witness Brennan, Robert

- (1) Position in narrative **late October 1991** or beginning of November 1991
- (2) Shareholder, PriMedex Health Systems, Inc.
- (3) Acts 21-23.
- (4) Prosecution listed? Yes. Subpoena. 818-820 Linden Lane, Brielle, New Jersey.
- (5) Richard reports *no* witness statement(s), per January 26, 2000.
- (6) Rap sheets—see
- (7) Chronological narrative.
 - i Late October or beginning November 1991. Defendant told Tarlow December 12, 1995, defendant *sought out* and met Brennan beginning November 1991. Defendant said while motivation was there, Brennan had to be persuaded.
- (8) Direct examination by prosecution.
- (9) Cross examination
 - i By Edward Murphy.
 - ii By Richard/Leslie. I guess Richard/Leslie will ask witness if he ever mentioned defendant's finder's fee to Gardner

37. Prosecution Witness Ziello, David

- (1) Position in narrative **November 1991**
- (2) Gardner employee worked for Norman Corrales in collections. Then witness paralegal
- (3) Acts 2-6, 8, 9. Scans. Trigger points. Blood. Crown. Bristol Diagnostics.
- (4) February 7, 2000, no digital hits. Apparently Richard *has* witness statement(s), per January 26, 2000.
- (5) Prosecution listed? Yes.
- (6) Rap sheets—see
- (7) November 1991 hired. Worked for Norman Corrales in collections. Is witness a homo too?
- (8) December 1992. Witness is paralegal.

- (9) April or May 1994. Witness is hearing representative. Witness coached applicants.
 - (10) September 19, 1994, taped statement.
 - i Sobol received incentives for some surgeries.
 - ii **Defendant gave \$1000 on renewable basis to PriMedex Corporation departments to wine and dine workers' compensation judges.**
 - iii Witness says the real reason for closing the clinics was to stop the district attorney investigation.
 - (11) December 24, 1994, taped statement.
 - (12) Direct examination by prosecution.
 - (13) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.
38. Prosecution Witness Yates, Charles
- (1) Position in narrative **1992** to September 1993.
 - (2) PriMedex Corporation director of marketing.
 - (3) Acts 17, 18, 21. Asher Gould
 - (4) February 7, 2000, no digital hits. Apparently Richard *has* witness statement(s), per January 26, 2000.
 - (5) Prosecution listed? Yes.
 - (6) I think witness okay. That defendant was involved in Injury Central is consistent with defendant's retention as consultant.
 - (7) Rap sheets—see
 - (8) 1990 to 1992. Witness did projects for Wakelin Injury Hotline
 - (9) 1992 to September 1993, PriMedex Corporation director of marketing, Injury Central.
 - (10) February 1, 1994, taped statement. Defendant was involved in campaign but primarily Gardner. Moss reviewed advertising.
 - (11) Direct examination by prosecution.
 - (12) Cross examination
 - i By Richard/Leslie
 - ii By Edward Murphy
39. Prosecution Witness Robbins, Jay
- (1) Position in narrative, say, **early 1992**.
 - (2) Chiropractor, Pomona Clinic
 - (3) Act 21. Stock prospectus: PriMedex Health Systems, Inc., didn't pay for patients. During PriMedex Corporation purchase negotiations, no patients discharged to inflate price to CCC Franchising Corporation. Maybe witness doesn't mention defendant?
 - (4) February 6, 2000, no digital hits. Apparently Richard *has* witness statement(s), per January 26, 2000. Witness not in 995.

- (5) Prosecution listed? Yes.
 - (6) Rap sheets—see
 - (7) January 18, 1994, taped statement. Employed July 1990 to September 1993. During clinic (PriMedex Corporation) purchase negotiations, no patients discharged to inflate price (to CCC Franchising Corporation). *So what? And how does witness know this?* Computer-generated initial-visit reports. Also supplemental reports. Reports to corporate headquarters (Bristol Parkway) for editing then back to clinic for signature. I don't hear defendant's name as I listen to tape.
 - (8) Evidence Code § 402. How does witness know during PriMedex Corporation purchase negotiations, no patients discharged to inflate price to CCC Franchising Corporation?
 - (9) Direct examination by prosecution.
 - (10) Cross examination
 - i By Edward Murphy.
 - ii By Leslie/Richard.
40. Prosecution Witness Hassen, Jeffrey
- (1) Position in narrative maybe **January 1992**—not January 1991
 - (2) PriMedex Corporation vice president marketing and sales. Witness and Stuart started Attorney Hotline; head of Injury Central.
 - (3) Act 21. Prospectus said no illegal referrals.
 - (4) February 6, 2000, no digital hits. Apparently Richard *has* witness statement(s), per January 26, 2000.
 - (5) Prosecution listed? Yes.
 - (6) Rap sheets—see
 - (7) January 1991. Defendant says PriMedex Corporation takes over operation of *Attorney* Hotline, per September 12, 1994. Jeff Hassen is head of operation.
 - i Bruce Stuart was owner. Is *Attorney* Hotline correct? Hassen says he and Stuart started Attorney Hotline maybe in 1990, per January 17, 1995. Hassen worked for Linda Wakelin. Defendant told me codefendant Gardner was having sex with Wakelin. Kahn says defendant wanted to bring in Attorney Hotline as Injury Central, per March 28, 1995, page 7.
 - (8) August 10, 1995, taped statement. Tape mislabeled. April 3, 2000, Witness says he was employed by PriMedex Corporation January 1992 to November 1993. Witness reported to Gardner **and defendant**. Moss approved incentive program. Frequent meetings attended by defendant, Gardner, Punturere. Witness's suggestions subject to defendant's approval. Rebecca to get right tape, need to listen to it.

- (9) Direct examination by prosecution.
 - (10) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.
41. Prosecution Witness Dunbar, Donna
- (1) Significant testimony **January 8, 1992**
 - (2) Employee of Smith Barney.
 - (3) \$1 million check dated January 6, 1992, payable to defendant, drawn on the Due Process Stables, Inc. Alleged acts 21-23
 - (4) Apparently Richard *has* witness statement(s), per January 26, 2000.
 - (5) Prosecution listed? Yes.
 - (6) Rap sheets—see
 - (7) References (chronologically).
 - i May 1996 grand jury. Rhodes testified he recovered People's Exhibit 16L4 from defendant's house on June 22, 1994. (RT 850) Exhibit 16L4 is a copy of a \$1 million check dated January 6, 1992, payable to defendant, drawn on the Due Process Stables, Inc., account with First Fidelity Bank, N.A., New Jersey. (RT 853) The deputy district attorney showed witness Donna Ruth Dunbar, employee of Smith Barney, People's Exhibit 16L4. Dunbar testified it was a check deposited to defendant's Smith Barney account. (RT 529-530) Dunbar recognized People's Exhibit 16L5 as a statement of defendant's Smith Barney account. (RT 530) It showed a deposit of \$1 million January 8, 1992. (RT 530) Rhodes testified he recovered People's Exhibit 16L5 from defendant's house on June 22, 1994. (RT 851)
 - (8) Direct examination by prosecution.
 - (9) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.
42. Prosecution Witness John Corrigan
- (1) Position in narrative **March 1992**
 - (2) PriMedex Corporation chief financial officer
 - (3) Alleged acts 1-14, 17-19, 21
 - (4) Listed? Corrigan, John
 - (5) Rap sheets—see
 - (6) March 1992. Witness started working for PriMedex Corporation
 - (7) June 22, 1994, taped statement
 - (8) August 2, 1995, taped statement
 - (9) May 1966 grand jury.

i Corrigan started working for PriMedex Corporation in March 1992. (RT 209) Until December 1992 Corrigan was an accounting employee. (RT 209) Asked what was his title, Corrigan responded, “Assistant, I think, to the controller.” (RT 218) The deputy district attorney asked Corrigan:

Q. While you were the assistant controller, who was the controller?

A. Janette Lowrey.

Q. Do you know whether or not the same protocol was in effect at PriMedex Corporation whereby Janette—Janel would automatically report to Mr. Goldblum?

A. Yes.

Q. So she was not a controller who had—who headed up the billing and collections and signed the checks?

A. No. (RT 486)

In late December 1992 Corrigan became “accounting controller, accounting manager.” (RT 209, 218) Defendant was his boss (RT 209, 218) through “November” 1993 when Corrigan believed defendant resigned. (RT 220) The deputy district attorney asked Corrigan:

Q. While you were assistant controller *or* assistant to the controller, who did you report to other than to the controller?

A. Janel Lowrey. (RT 218; emphasis added)

Lowrey reported to defendant. (RT 218) Corrigan testified he, defendant and Lowrey were in meetings. (RT 218) Lowrey and Corrigan gave defendant reports. (RT 218) The deputy district attorney asked Corrigan:

Q. Are you familiar with the procedure concerning doctor billings and how each patient procedure was then either written down or somehow translated and sent over to corporate headquarters?

A. Only on the cumulative. Accounting wasn’t in charge of billing and collection.

Q. So if I showed you super bills and fee schedules, they would not be within your field of knowledge?

A. How it was derived? No. (RT 220)

Corrigan testified defendant made requests. Defendant had decision making authority. (RT 219) The deputy district attorney asked Corrigan:

Q. Do you know if he ever held himself out as the chief financial officer of the corporation?

A. No. (RT 219)

When recalled as a witness Corrigan testified “controller” at PriMedex through late 1993 did not have anything to do with billing or collections. The controller at PriMedex did not sign checks while defendant was there. Codefendant Gardner or defendant signed the checks if they were available. Who was in charge of billing and collections changed over time. Collections were “ultimately” codefendant Gardner and defendant, but the manager would have been Norman Corrales, and then became Eric Savala and then Elias Munoz. Billing was “in two pieces.” They had like a file

audit department and a computer billing department. Computer billing was Frank Frogga aka Fraga and Al Salazar. The deputy district attorney asked Corrigan:

Q. Do you know who those people reported to?

A. During the period [19]92 to [19]93?

Q. Yes.

A. It would have been to Mr. Goldblum.

Q. So Mr. Goldblum was in charge of billing, collections, any other departments?

A. M.I.S. maybe.

Q. Which is what?

A. Computer systems.

When Corrigan was the controller, he and defendant “would talk probably daily if he was there.” Corrigan or the department would have provided a daily cash sheet, a daily accounts payable aging, and decide who got paid. Monthly Corrigan provided the manager the report he and defendant talked about. (RT 482-484)

- ii The deputy district attorney showed Corrigan an undated chart marked People’s Exhibit 3A. (RT 210) People’s Exhibit 3A shows codefendant Gardner as chief executive officer. (RT 210) Under codefendant Gardner, according to the undated chart, is defendant as “Chief Op. Off.” (RT 210) Flores testified People’s Exhibit 3A “was obtained pursuant to a consent search.”³³ (RT 923) Flores does not say when or where. The deputy district attorney offered no testimony authenticating or dating People’s Exhibit 3A. The court does not know who drew it or when it was drawn.

The deputy district attorney asked Corrigan if he recognized People’s Exhibit 3A. (RT 210) Corrigan did not recognize the chart, although he recognized “the names and stuff.” (RT 210) Below codefendant Gardner’s name is defendant’s name. Referring to defendant’s name on the undated chart, the deputy district attorney asked Corrigan:

Q. Is that an accurate placement of him—his name in relationship to his control of the corporation?

A. Yes. His *title* was *consultant*, I guess, but that’s an accurate *placement*. (RT 210; emphasis added)

- iii Corrigan testified defendant had check signing authority. (RT 219) Corrigan testified defendant had the authority to disburse funds. (RT 219)

- iv Corrigan testified defendant had the authority to hire and fire people. (RT 219) Defendant signed the letter firing Mroch (RT 172) but Mrosh responded in a letter to

3. Flores testified in December 1992 there were so many clinics, a consent was signed by codefendant Gardner, Richard Moss, Esq., and deputy district attorney Rosenthal. Defendant did not sign it. (RT 924, 949)

- v codefendant David Gardner. (RT 179) “I was dealing with David, not Mr. Goldblum,” Mrosh testified. (RT 179) John Joseph Corrigan identified People’s Exhibit 4A showing five corporations “owned and/or operated” by codefendant Gardner. (RT 211) Corrigan testified codefendant Gardner owned and operated Crown Imaging Associates Medical Group, Inc. (RT 214) Corrigan testified Gardner Medical Group, Inc., treated industrial injuries (RT 212) and Gardner Medical Group, Inc., was one of codefendant Gardner’s corporations. (RT 214) Corrigan testified codefendant Gardner owned and operated Gardner Neurological Orthopedic Medical Group, Inc. (RT 213) And Corrigan testified Ortho-Neurosurgery Medical Group, Inc. was one of codefendant Gardner’s corporations. (RT 214)
- vi PriMedex Corporation was incorporated June 9, 1989, in California. (People’s Exhibit 16J, page F-75) Corrigan testified codefendant Gardner owned and operated PriMedex Corporation (RT 212) until 1992, “and then it became a publicly held company.” (RT 214) PriMedex Corporation was engaged in providing management and financial services to the four medical corporations wholly owned by codefendant Gardner. (People’s Exhibit 16J)
- vii Vanessa Hammonds testified she worked for PriMedex Corporation in different capacities from June 1990 to February 1994. (RT 891) She was supervisor in charge of billing in 1991 until she was laid off in 1994. (RT 903) She was in charge of files audit as long as Corrigan was there, from 1992 forward.
- viii Corrigan testified two clinics—Long Beach and Santa Ana—were added in 1992. (RT 215) The deputy district attorney asked Corrigan when “the corporation” started having cash problems. (RT 220)
- A. When Injury Central’s advertising expenses got very high and, in addition, when they opened up the two new clinics.
- Q. So it would be at the end of [19]92?
- A. Yes.
- Q. PriMedex started having cash flow problems?
- A. Yes. I’m sure when the first loan was but it would have been late 1992 or mid [19]92 from the parent. (RT 221)
- ix Corrigan testified the collection cycle for billing was two to four years. (RT 232) In May 1996 they were still collecting for patients that were pre 1989. (RT 233)
- x Corrigan testified he started working for PriMedex Corporation in March 1992. (RT 209) Until December

1992 Corrigan was an accounting employee. (RT 209) Corrigan testified PriMedex Corporation was sold to “CCC Franchising, Aquasist Corporation” in February 1992. (RT 216) Corrigan testified he was aware of that fact from documents; he did not participate in the closing. (RT 216) It was already closed when he came. (RT 216) The deputy district attorney asked Corrigan:

- Q. What is, if you know, CCC Franchising Corporation? What is it affiliated with?
- A. Well, it became PriMedex Health Systems Inc.
- Q. Is PriMedex a public corporation or private?
- A. Public corporation, traded on NASDAQ.
- Q. How do you know that?
- A. I just do. Because it is.
- Q. PriMedex became a subsidiary of a publicly traded corporation?
- A. Yes.
- Q. Did your responsibilities as an accountant and for documentation, did you have to prepare paperwork for that?
- A. Really we transferred our records to the parent who would do that.
- Q. You would, say, “records to the parent?”
- A. No.
- Q. I would give that to Mr. Goldblum and I believe he would. (RT 217)

xi The deputy district attorney asked Corrigan:

- Q. Are you familiar with the fact PriMedex was purchased by a publicly traded corporation?
- A. Yes.
- Q. Was RadNet ever purchased by anybody?
- A. Purchased by the same company in April of [19]92. (RT 486)

xii Corrigan testified RadNet Management currently (May 9, 1996) managed 19 imaging centers in Southern California. (RT 477) Corrigan testified RadNet was—meaning previous to May 6, 1996—a subsidiary of “PriMedex.” (RT 477) The deputy district attorney did not clarify whether “PriMedex” was PriMedex Corporation or PriMedex Health Systems, Inc.

xiii The deputy district attorney asked Corrigan:

- Q. Does (May 9, 1996) RadNet perform the same types of services for these imaging services that PriMedex performed for the Gardner medical clinics?
- A. Pretty much, yes. (RT 485-486)

The evidence established the purchase of RadNet Management, Inc., was lawful.

xiv The deputy district attorney asked Corrigan:

- Q. So between what period of time did the clinics begin closing down?
- A. Late July to October of 1993.
- Q. So by October of 1993 the four Gardner medical corporations were no longer treating new patients or taking new patients?
- A. That's true. (RT 229)
- xv Corrigan believed defendant resigned in November 1993. (RT 220)
- xvi Corrigan testified the accounts receivable were sold to Bristol A. R., Inc. in July 1995 for \$9,448,000. (RT 233)
- (10) Direct examination by prosecution.
- (11) Cross examination
- i By Edward Murphy.
- (a) John Corrigan, PriMedex Corporation's current Chief Financial Officer, can testify that, based on his close working relationship with defendant during the duration of his employment at PriMedex Health Systems, PriMedex Corporation and the medical corporation, defendant never knowingly participated in any activity that he believed was illegal, fraudulent or unethical.
- (b) He never heard of or observed defendant participating in illegal conduct or performing any activity beyond the scope of his legitimate and lawful obligations as an independent management consultant to PriMedex Corporation.
- (c) He viewed defendant as a man of integrity and honesty.
- (d) Had he learned of any unlawful, fraudulent or unethical conduct committed by any person associated with PriMedex Health Systems, PriMedex Corporation or the medical corporations
- (e) He would have immediately resigned from his position. In fact, Mr. Corrigan can testify specifically that he chose to remain at Priniedex Corporation after the initial search warrants were executed at its offices on December 1, 1992, even though at the finie he had a more lucrative outstanding job offer from another company. He stayed in part because he firmly believed, and still believes, that defendant and others associated with Priniedex Health Systems, Priniedex Corporation and the medical corporations had committed no crimes
- (f) He would have felt comfortable in bringing the

- problem to defendant's attention
- (g) He is certain that defendant would have taken or recommended immediate action to stop the misconduct and terminate the companies' association with the wrongdoer.
 - (h) John Corrigan, PriMedex Corporations' current Controller and Secretary, can testify that, had the medical corporations' clinical operations continued, his present job duties and authority would be substantially comparable to that held by defendant during defendant's association with the company.
 - (i) John Corrigan, PriMedex Corporation's Controller and Secretary, can testify that during defendant's tenure as an independent management consultant to PriMedex Corporation, Mr. Corrigan assisted in the preparation and presentation of the monthly management reports
 - (j) The monthly management reports were essentially a compilation and aggregation of each individual department's daily and weekly operational reports, such as the accounting department's cash reports and the collections department's collections reports;
3) defendant wrote or advised Mr. Corrigan regarding writing some of the narrative sections of the monthly management reports, based on defendant's analysis and review of the component daily and weekly reports which he had previously received from the company's individual departments
 - (k) In preparing his comments for the management reports, defendant did not review any of the underlying documentation, records, or raw data from which the component daily and weekly reports were generated
 - (l) In preparation of the management report, defendant relied upon the component daily and weekly reports which he had previously reviewed, and analyzed all of the information in their aggregate form
 - (m) Witness did not knowingly misrepresent any of the information he submitted to defendant for the preparation of the management reports, and he corrected any inadvertent errors immediately upon discovery
 - (n) Defendant never asked Mr. Corrigan to alter or distort any of the data contained in or underlying the monthly management reports.

- (o) Corrigan learned, in or about mid-July, 1993 that the parent company, PriMedex Health Systems, had made the determination to shut down the clinical operations of the medical corporations
- (p) PriMedex Health Systems did not consult defendant prior to making this determination
- (q) PriMedex Health Systems did not advise defendant of this determination prior to when it was made
- (r) defendant had absolutely no input and was not a factor in PriMedex Health Systems' determination to shut down the clinical operations of the medical corporations.
- (s) Witness was charged with supervising the consolidation of the second two-and-a-half of the medical corporations' eight clinics. These consolidations occurred in early July, 1993. They were intended to be temporary and were completely unrelated to the subsequent complete and permanent clinical operations shut-down ordered by the parent company in New Jersey, PriMedex Health Systems
- (t) During the first week of July, 1993, he oversaw the consolidation of the Ontario and Long Beach clinics, and the remaining half portion of the Riverside clinic
- (u) All of these clinics were to be temporary closures. None of the equipment and furniture in these clinics were sold or liquidated, rather they were retained and locked up in the existing clinic buildings
- (v) He believed, as did the other PriMedex Corporation and medical corporations personnel whom he knew that the Santa Ana, Riverside, Ontario and Long Beach clinics would be reopened and made fully operational again by approximately August or September, 1993, and that the remaining clinics in La Brea, Montebello and Panorama City would continue full operations without interruption.
- (w) The district attorney interviewed John Corrigan during its execution of search warrants at PriMedex Corporation on June 22, 1994. In that interview, Mr. Corrigan specifically informed the district attorney that the medical corporations' clinical operations were not shut down until approximately the third week of July, 1993
- (x) There were unfounded rumors floating among PriMedex Corporation and medical corporations

- employees that the clinical operations were to be shut down before that time only because the district attorney's first search, in December 1992, scared everybody about their job security.
- (y) The determination to shut down the medical corporations was made by the parent company in New Jersey, not by defendant. When defendant learned of the news of the clinical operations' impending shut-down, he was surprised and shocked, and he was personally vigorously opposed to that determination
 - (z) As witness was executing the clinical shut down, it was Robert Caruso, the man hand-picked by Robert Brennan to become PriMedex Health Systems' Vice- President and Chief Financial Officer, to whom witness reported and who constantly directed and prodded him to quicken the pace of the closures
 - (aa) Defendant was personally strongly opposed to the decision to shut down the clinical operations. Defendant was deeply concerned about this decision due to factors other than that he was going to lose his job and suffer a large personal financial loss.
 - (bb) Specifically, defendant was most disturbed by the fact that other employees and associates of PriMedex Corporation and the medical corporations would become unemployed due to the clinic closures
 - (cc) In late July and early August, 1993, he had numerous conversations with defendant in which defendant expressed his extreme disapproval and disappointment over the parent company's decision to terminate the medical corporations' clinical operations
 - (dd) Defendant repeatedly stated that he felt it was a great shame that all the medical and administrative skill, know-how and technology which these people had developed would be wasted as a result of the clinical operation shutdown. Defendant repeatedly vented his frustration at the fact that he had absolutely no control over the decision to shut down the clinics, and that there seemed nothing he could do to salvage the situation. Defendant was so troubled by this prospect that he invested substantial energy in helping Stewart Kahn produce a proposal for a healthcare finance company called Summit Capital.

- Mr. Kahn also enlisted Mr. Corrigan's assistance in preparing the Summit Capital proposal. Under the proposal, Summit Capital would absorb and utilize most of PriMedex Corporation's then-existing employees, infrastructure and proprietary technologies and redeploy them into a full service finance and consulting company for healthcare providers
- (ee) Defendant contributed to the Summit Capital proposal purely out of his intense compassion and loyalty to the hundreds of PriMedex Corporation personnel who were to be laid off as a result of the clinic closures
 - (ff) Defendant expected to reap no personal financial benefits from the Summit Capital venture. He gave Mr. Kahn valuable free advice and he did not intend to stay at the company if it was formed;
 - (gg) Had defendant the authority to approve the Summit Capital proposal, he would have. However, the authority for such a decision at that time was vested in Robert Caruso, the man then hand-picked by Primed" Health Systems' controlling shareholder, Robert Brennan, to succeed as the parent company's Vice-President and Chief Financial Officer, Mr. Caruso summarily rejected the Summit Capital proposal in or about October, 1993.
 - (hh) During the time when the medical corporations' clinics were in the process of being shut down in the fall of 1993, Robert Caruso was the authoritative person overseeing, monitoring, and making operational management decisions for PriMedex Health Systems, Primed" Corporation, and medical corporations.
 - (ii) Prior to or near the time that the PriMedex Health Systems board of directors convened its meeting on July 26, 1993, defendant mailed and/or faxed certain correspondence and analyses to Robert Brennan relating to the parent company's determination to shut down the medical corporations' clinical operations. With respect to these correspondence and analyses, witness, PriMedex Corporations' Controller and Secretary, can testify that
 - (jj) He assisted defendant in compiling the underlying information and data contained in the correspondence and analyses which were

- transmitted to Robert Brennan on July 26, 1993.
- (kk) The correspondence and accompanying analyses were generated solely at the direction of Robert Brennan.
 - (ll) Any factual or financial statements and assumptions adopted in those correspondence and analyses did not necessarily reflect the views which Mr. Corrigan or Defendant held with respect to the clinical operations shut-down. In fact, defendant was personally vigorously opposed to the clinical operations shut down.
 - (mm) Mr, Brennan directed defendant and Mr. Corrigan as to what information and analyses he needed, and what underlying factual and financial assumptions should be used. The analyses in question were prepared with the assumption in mind that the clinical operations would be closed, because the parent company had made the determination to do this sometime in approximately mid-July, 1993.
 - (nn) The type of information and analyses which defendant and Mr. Corrigan provided in the correspondence and analyses of July 26, 1993 were typical of numerous presentations and analyses which defendant, in accordance with his responsibilities as an independent management consultant, was normally directed by Mr, Brennan and/or the parent company to produce.
 - (oo) Both before and subsequent to July 26, 1993, Mr. Brennan and/or the parent company regularly directed defendant and/or Mr. Corrigan to prepare analyses and presentations similar or comparable to the analyses and presentations which were produced on July 26, 1993.
 - (pp) The fact that defendant and Mr. Corrigan produced these presentations and analyses on July 26, 1993 does not mean that they determined or decided, nor that they had any authority to determine or decide, to shut down the clinical operations. In fact, neither defendant nor Mr. Corrigan made such a determination or decision, they did not have any authority to do so, and defendant was personally vigorously opposed to the idea. Defendant and Mr. Corrigan produced the presentations and analyses simply and solely because Mr. Brennan had directed them to do so.

ii By codefendant's lawyer Richard/Leslie

43. Prosecution Witness Viselli, Theresa
- (1) Position in narrative **March 1992** to October 1993
 - (2) Gardner's personal secretary
 - (3) Acts 1-23!!!!!!!!!!!!
 - (4) February 7, 2000, no digital hits.
 - (5) Notes.
 - (6) Prosecution listed? Yes.
 - (7) Rap sheets—see
 - (8) January 24, 1994, taped statement. Flores' report dated January 26, 1994. Defendant not mentioned.
 - (9) Direct examination by prosecution.
 - (10) Cross examination
 - i By Richard/Leslie
 - ii By Edward Murphy
44. Prosecution Witness Gonzalez, Sandra
- (1) Position in narrative **March 1992** to July 1993.
 - (2) Supervisor of Injury Central field counselors. Sounds African American.
 - (3) Act 21. Stock prospectus stated no illegal referral.
 - (4) February 6, 2000, no digital hits. Apparently Richard *has* witness statement(s), per January 26, 2000.
 - (5) Prosecution listed? Yes.
 - (6) Rap sheets—see
 - (7) April 20, 1995, taped statement. Was supervisor of Injury Central field counselors March 1992 to July 1993. Christmas party 1992 Gardner **and defendant presented slide show** that PriMedex Corporation profited \$100 to \$300 million during 1992.
 - (8) Direct examination by prosecution.
 - (9) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.
45. Prosecution Witness Phillips, Katherine Lee
- (1) Position in narrative **March 1992** through June 1993. (RT 869)
 - (2) Senior law clerk workers' compensation fraud division of Los Angeles district attorney's office.
 - (3) Schedule of prescriptions, unit price, unit cost and gross margin.
 - (4) Apparently Richard has witness statement(s), per January 26, 2000.
 - (5) Notes.
 - (6) Prosecution listed? Yes.
 - (7) Rap sheets—see

- (8) May 1966 grand jury. (RT 867)
 - i Witness prepared schedule of prescriptions, unit price, unit cost and gross margin.
 - ii Prescription sales October 1992. Etc.
 - (9) Direct examination by prosecution.
 - (10) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.
46. Prosecution OUCH Witness Gooding, Gerri
- (1) Position in narrative **April 1992**
 - (2) Paralegal at Graiwer and Goldberg; then legal department at PriMedex Corporation
 - (3) Defendant actually ran PriMedex Corporation. Defendant called the shots at Injury Hotline. Acts 17, 18, 21. Asher Gould checks.
 - (4) February 6, 2000, no digital hits. Apparently Richard *has* witness statement(s), per January 26, 2000.
 - (5) Prosecution listed? Yes.
 - (6) Rap sheets—see
 - (7) August 1991 to March 1992. Paralegal at Graiwer and Goldberg. Gardner paid Graiwer \$1 million a year in kickbacks.
 - (8) April 1992 to August 25, 1992. Legal department at PriMedex Corporation.
 - i **Defendant actually ran PriMedex Corporation.**
 - ii **Defendant called the shots at Injury Hotline.** *Object to this on ground insufficient foundation.*
 - iii Rick Solario told witness not to tell anyone Crown related to PriMedex Corporation.
 - (9) December 9, 1992. Statement to FBI Myers.
 - (10) Direct examination by prosecution.
 - (11) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.
47. Prosecution Witness Berger, Louis Howard
- (1) Position in narrative **April 1992**
 - (2) CEO RadNet
 - (3) Probably can testify about defendant's involvement in stock offering. Acts 17, 18, 21. Maybe attorney checks. Maybe defendant!
 - (4) February 6, 2000, no hits. Apparently Richard *has* statement(s), per January 26, 2000.
 - (5) Prosecution listed? Yes
 - (6) Notes.
 - (7) Rap sheets—see

- (8) References (chronologically).
- i April 30, 1992, check \$500,000 payable to defendant. Rhoades testified he recovered People's Exhibit 16L6 from defendant's house on June 22, 1994. (RT 851) Exhibit 16L6 is a \$500,000 check, number 10, dated April 30, 1992, payable to defendant, drawn on the Dreyfus Worldwide Dollar Money Market Fund, Inc., account with the Bank of New York, White Plains, New York. The check also reads ALAN NOVICH TTEE DTD 3/15/89 FBO ALLISON PACE & KIMBERLY PACE. People's Exhibit 16L6 also includes a May 1, 1992, statement on defendant's letterhead to Alan Novich, Trustee, for services rendered \$500,000. Allen Novich knew Randolph K. Pace. Are Allison and Kimberly Randolph's daughters? Who is Rooney Pace? Randolph K. Pace owned Rooney Pace & Co., a NASD firm well-known as having affiliations Brennan. (RT 706) Novich represented companies Brennan took public. Defendant now has \$1,500,000. But in April 2000 defendant tells Edward Murphy Brennan cheated defendant in the end by only paying defendant a total of \$1,500,000. Moss says codefendant Gardner first learned of this from Tarlow's September 15, 1995, Johnson submission, per October 2, 1995!
 - ii June 1992, as of April 30, 1992, CCC Franchising Acquisition Corporation entered into a purchase agreement with RadNet Management, Inc., and related companies to acquire substantially all of RadNet's assets for a purchase price of approximately \$66,000,000. (People's Exhibit 16J)
 - iii June 12, 1992, defendant receives 250,000 shares of PriMedex Health Systems, Inc., common stock options, at \$8.00 per share, as a finder's fee for his role in the PriMedex Health Systems, Inc., acquisition of RadNet. Was this later changed to 150,000 shares at \$4? See August 24, 1994. Note. June 30, 1995, defendant tells Loh **he thinks he also settled for \$500,000 cash for the RadNet deal, in addition to the options.** This is consistent with People's Exhibit 16L1 from defendant's house on June 22, 1994. (RT 850) Exhibit 16L1 is two handwritten pages including headings that say "FINDER'S FEE SCHEDULE," "92 iNCOME Proj," and "Cash FLOW Jul/25/92—12/30/92." Defendant had told me he never got the \$500,000 finder's fee for RadNet. But in June 30, 1995, note to Loh he says he thinks he settled for \$500,000 cash.

- iv December 11, 1992, stock prospectus says witness is CEO RadNet
 - v January 28, 1993. Major shareholder loans to PriMedex Health Systems, Inc.: Berger \$1,250,000. Same Berger? I think so!
 - vi June 1993 bond offering?
 - (9) Direct examination by prosecution.
 - (10) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.
48. Prosecution Witness Novich, Alan
- (1) Position in narrative **April 30, 1992**
 - (2) Allen Novich trustee for Allison Pace and Kimberly Pace
 - (3) Act 23. Defendant's April 30, 1992, check for \$500,000
 - (4) Notes.
 - i The deputy district attorney asked Bennett a hypothetical question:
 - Q. If I were to tell you hypothetically that Mr. Goldblum received \$500,000 on April 30, 1992 from a trust account, Allen Novich trustee for Allison Pace and Kimberly Pace, would this be information that your department would want to have been made aware of?
 - A. If that \$500,000 had a connection to this transaction, we would want to know about it, yes.
 - ii Rhodes testified he recovered People's Exhibit 16L6 from defendant's house on June 22, 1994. (RT 851) Exhibit 16L6 is a \$500,000 check, number 10, dated April 30, 1992, payable to defendant, drawn on the Dreyfus Worldwide Dollar Money Market Fund, Inc., account with the Bank of New York, White Plains, New York. People's Exhibit 16L6 also includes a May 1, 1992, statement on defendant's letterhead to Alan Novich, Trustee, for services rendered \$500,000.
 - iii Ballou testified he was vice president of Dreyfus Service Corporation. (RT 825) The deputy district attorney showed Ballou apparently one page of People's Exhibit 16L6, two pages.
 - Q. What is that?
 - A. It is a check drawn against a Dreyfus account.
 - Q. Whose account?
 - A. Allen Novich, trustee, dated 3/15/89, to the benefit of Allison Pace and Kimberly Pace.
 - Q. What type of funds is this check drawn on?
 - A. It's drawn off a money market fund called a Dreyfus Worldwide

Dollar Money Market Fund.

Q. What is the account number on that check?

A. Account number is 762-300430691.

Q. Does this check appear to be a money market fund check on a Dreyfus account?

A. Yes, it does. (RT 826)

...

Q. On the back of the check, can you interpret whether or not that check was negotiated?

A. Yes. There are markings on there indicating that it has been paid out. (RT 834)

iv Bennett testified Allen Novich knows Randolph K. Pace who has affiliations with Robert Brennan owner of First Jersey Corporation. (RT 706) Novich has represented companies Brennan has taken public. (RT 706) Bennett testified:

A. Mr. Pace is an investment banker. He's been in the business for 30 years. He has a relationship with Mr. Novich whom you have asked me about. He's generally known to have relationships with Mr. Brennan which is another name that's been mentioned here today.

Q. You say he's "generally known." What do you mean by that?

A. Well, in the investment banking business, as I guess I described earlier, if a company goes to F. N. Wolf and chooses F. N. Wolf as an underwriter, then they go to other firms, other colleagues to help them distribute these securities. So, for instance, Mr. Brennan for a number of years owned First Jersey Securities, so it would not be unusual for F. N. Wolf, First Jersey Security or Randy Pace to be involved with each other in underwriting or be involved in the investment banking business in distributing securities together. (RT 729)

(5) Prosecution listed? Yes.

(6) Apparently Richard has *no* witness statement(s), per January 26, 2000.

(7) Rap sheets—see

(8) References (chronologically).

(9) Direct examination by prosecution.

(10) Cross examination

i By Edward Murphy.

ii By codefendant's lawyer.

49. Prosecution Witness Ballou, David

(1) Position in narrative **April 30, 1992.**

(2) Vice president of Dreyfus Service Corporation.

- (3) Act 23
- (4) Richard/Leslie have no statement(s), just grand jury, per January 26, 2000.
- (5) Prosecution listed? Yes
- (6) Rap sheets—see
- (7) May 1996 grand jury witness testified he was vice president of Dreyfus Service Corporation. (RT 825)

The deputy district attorney showed Ballou apparently one page of People's Exhibit 16L6, two pages. Exhibit 16L6 is a \$500,000 check, number 10, dated April 30, 1992, payable to defendant, drawn on the Dreyfus Worldwide Dollar Money Market Fund, Inc., account with the Bank of New York, White Plains, New York. People's Exhibit 16L6 also includes a May 1, 1992, statement on defendant's letterhead to Alan Novich, Trustee, for services rendered \$500,000.

Q. What is that?

A. It is a check drawn against a Dreyfus account.

Q. Whose account?

A. Allen Novich, trustee, dated 3/15/89, to the benefit of Allison Pace and Kimberly Pace.

Q. What type of funds is this check drawn on?

A. It's drawn off a money market fund called a Dreyfus Worldwide Dollar Money Market Fund.

Q. What is the account number on that check?

A. Account number is 762-300430691.

Q. Does this check appear to be a money market fund check on a Dreyfus account?

A. Yes, it does. (RT 826)

...

Q. On the back of the check, can you interpret whether or not that check was negotiated?

A. Yes. There are markings on there indicating that it has been paid out. (RT 834)

Ballou identified a Dreyfus Service Corporation monthly statement. (RT 835) Ballou testified:

A. There is an entry on the statement indicating Check No. 10, which matches up on this check number for a \$500,000 check written against the account.

Q. Who would that check be credited to?

A. It would be credited to Stanley Goldblum.

Q. The payee on the check?

A. Payee on the check.

Q. Amount of the check?

A. Amount of the check is \$500,000. (RT 835)

- (8) Direct examination by prosecution.
- (9) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.

50. Prosecution Witness Bennett, Charles

- (1) Position in narrative **September 1992**
- (2) Corporate financing department of the National Association of Securities Dealers.
- (3) Alleged acts 21-23
- (4) Richard/Leslie have *no* statement(s), just grand jury, per January 26, 2000.
- (5) Prosecution listed? Yes
- (6) Rap sheets—see
- (7) References (chronologically).
 - i May 1996 grand jury.
 - (a) Bennett testified he worked in the corporate financing department of the National Association of Securities Dealers. (RT 689) Bennett was familiar with an offering by PriMedex Health Systems, Inc. (RT 696) In September 1992, F. N. Wolf & Co., Inc., “as the underwriter of a public offering of the shares of CCC Franchising, applied to the corporate financing department for an opinion that the proposed underwriting terms and arrangements would be acceptable.” (RT 696-697)
 - (b) The registration statement of PriMedex Health Systems, Inc., was filed with the NASD September 14, 1992. (RT 698) Initially the NASD issued its opinion the underwriting compensation in connection with the proposed offering was excessive. (RT 698) F. N. Wolf & Co., Inc., amended their registration statement and filed an amended registration statement with the NASD. (RT 699-700)
 - (c) The prosecution showed the review by the NASD of F. N. Wolf & Co., Inc.’s prospectus showed defendant receiving a warrant to purchase 250,000 shares of PriMedex Health Systems, Inc.. stock at \$8 per share. The deputy district attorney then engaged Charles Lutie Bennett in the following lines of questioning:

Q. *Why* did that transaction cause the NASD to investigate it further?

...

A. Mr. Goldblum is a statutorily disqualified individual, and we have

a special sensitivity to payments being received by those types of individuals.

Q. What does *that* mean, “statutorily disqualified?”

A. Mr. Goldblum, as a result of the conviction of several federal statutes, is not eligible *to be employed in the broker industry in this country*. (RT 702; emphasis added)

...

Q. Would you explain, please, the statutory qualification that applies to Stanley Goldblum?

A. Well, Mr. Goldblum in the ‘70’s, I believe—if you don’t mind, it would help if I could open up this prospectus.

Q. If it will refresh your memory.

A. This is exactly what we would do if we were looking at this from the prospective of the examination of an underwriting compensation. What you find on page 357 is a disclosure as to the management directors executive officers key employees and consultants. On page 358 Mr. Goldblum is disclosed as having been *convicted in 1974 of various criminal violations of federal and state securities laws based on fraud* arising out of his conduct as president and chief executive officer of Equity Funding Corporation.⁴ The fact that he was convicted of these types of activities means that he is no longer eligible to be employed in the securities business. So the term that we refer to these people is as “Statutorily disqualified individuals.”

Q. You have used a term “employed in the securities business.”

A. That’s correct.

Q. What does that mean?

A. Well, a public policy decision was made in 1934 that certain individuals who had been convicted of certain types of activity would not be eligible to interact with the investing public and the purchase or sale of securities because it’s deemed to be too great a risk to the public to be dealing with *these types of people*. (RT 725; emphasis added)

The deputy district attorney asked Bennett a hypothetical question:

Q. Let me ask you another hypothetical. What if I were to tell you

4. The December 11, 1992, PriMedex Health Systems, Inc., prospectus states, “Mr. Goldblum was convicted in 1974 of various criminal violations of federal and state securities laws based on fraud, arising out of his conduct as president and chief executive officer of Equity Funding Corporation of America. Mr. Goldblum was sentenced to an eight-year prison term commencing May 22, 1975 and was fined \$20,000. He was released on parole on March 14, 1979 after serving approximately four years of the sentence and his probation ended in May, 1983.” (People’s Exhibit 16J pages 58-59)

that Mr. Goldblum received over \$3880,000, or approximately \$380,000 in finder's fees from—directly from PriMedex Corporation over a period of several months beginning February '92 through October, November of '92; and that these payments were made in checks in the amount of 50 or \$55,000 on a monthly basis; would the N.A.S.D. corporate finance department wish to be apprised of that information?

A. Yes.

Q. Why?

A. Well, once again, we are dealing with a hypothetical that you have presented. But, as I have indicated before, *Mr. Goldblum is a statutorily disqualified person*. Therefore, we have a particular interest in assuring the nature of the compensation that he receives, and either accounting in his underwriting compensation or determining that it is not. So we want to know all transactional compensation that somebody could be deemed to be under—an underwriter person could receive so we can make that determination for the interest of the buying public. (RT 717; emphasis added)

The deputy district attorney asked Bennett a hypothetical question:

Q. If I were to tell you hypothetically, I want you to assume this as a hypothetical, that *\$1 million was paid to Mr. Goldblum as a finder's fee in January of 1992 in connection with the PriMedex deal*, would N.A.S.D. be interested in this information?

A. Yes, we would.

Q. And why?

A. Well, once again, as I mentioned, Mr. Goldblum is a *statutorily disqualified person*. So any payments received by *such a person* are the types of transactions which we want to investigate closely. So the fact that hypothetically he received a million dollars would be of interest to my department. (RT 705)

The deputy district attorney asked Bennett a hypothetical question:

Q. If I were to tell you hypothetically that Mr. Goldblum received \$500,000 on April 30, 1992 from a trust account, Allen Novich trustee for Allison Pace and Kimberly Pace, would this be information that your department would want to have been made aware of?

A. If that \$500,000 had a connection to this transaction, we would want to know about it, yes.

Q. Would your department have investigated this payment to see if, in fact, it was connected to this offering or to this acquisition?

A. Yes, we would have.

Q. Was your department aware of any cash payments to Stanley Goldblum classified as finder's fees?

A. No.

- Q. Now, if, in fact, the \$500,000 payment that I have asked you hypothetically about was made to Mr. Goldblum on April 30, 1992, how would the N.A.S.D. have treated this payment?
- A. Well, the fact that it was received by Goldblum on April 30 of '92, once again it falls within the 6-month presumptive period. *And since Mr. Goldblum is a person that we take a special interest in because of his statutory disqualification, we would have wanted to have thoroughly investigated any payment made to the individual that could be connected to the C.C.C. Franchising PriMedex underwriting to determine whether or not it was underwriting compensation. (RT 707; emphasis added)*
- (d) Bennett testified Allen Novich knows Randolph K. Pace who has affiliations with Robert Brennan owner of First Jersey Corporation. (RT 706) Novich has represented companies Brennan has taken public. (RT 706) Bennett testified:
- A. Mr. Pace is an investment banker. He's been in the business for 30 years. He has a relationship with Mr. Novich whom you have asked me about. He's generally known to have relationships with Mr. Brennan which is another name that's been mentioned here today.
- Q. You say he's "generally known." What do you mean by that?
- A. Well, in the investment banking business, as I guess I described earlier, if a company goes to F. N. Wolf and chooses F. N. Wolf as an underwriter, then they go to other firms, other colleagues to help them distribute these securities. So, for instance, Mr. Brennan for a number of years owned First Jersey Securities, so it would not be unusual for F. N. Wolf, First Jersey Security or Randy Pace to be involved with each other in underwriting or be involved in the investment banking business in distributing securities together. (RT 729)
- (e) The latest date is May 5, 1992, showing \$500,000 followed by the comment "Allison & Kimberly Pace Trust" on People's Exhibit 16L7 from defendant's house on June 22, 1994. At the top of People's Exhibit 16L7 is "Stan Goldblum Schedule of Fees/Forms 1090 1992."
- (f) People's Exhibit 16J, identified by Bennett (RT 713-714), is F. N. Wolf & Co., Inc.'s prospectus dated December 11, 1992, publicly offering 10,000,000 shares of PriMedex Health Systems, Inc.
- (g) Also Bennett testified CCC Franchising Corporation changed its name to PriMedex Health Systems, Inc., during 1992. (RT 696)
- (h) Bennett testified reviewing F. N. Wolf & Co., Inc.'s

prospectus the NASD saw a \$500,000 finder's fee being paid to F. N. Wolf & Co., Inc., and defendant receiving a warrant to purchase 250,000 shares of "CCC Franchising" stock at \$8 per share. (RT 701) F. N. Wolf & Co., Inc.'s prospectus states PriMedex Health Systems, Inc. paid \$500,000 as a finder's fee to F. N. Wolf & Co., Inc. in connection with the April 30, 1992, acquisition of RadNet Management, Inc.

(i) Bennett testified F. N. Wolf & Co., Inc.'s prospectus said defendant's warrant price was \$8 per share. (RT 701)

(j) Bennett testified:

A. Our staff was told that Mr. Goldblum had, along with F. N. Wolf, introduced RadNet to CCC Franchising, and he had performed certain services germane in introducing management and gathering certain information so that CCC Franchising could make a decision as to whether to acquire RadNet.

Q. Did your department inquire as to the compensation paid to Mr. Goldblum for the services?

A. The warrants to acquire 250,000 shares at \$8 was disclosed in the registration statement, and we did ask about that compensation.

(k) The NASD approved F. N. Wolf & Co., Inc.'s amended registration statement. (RT 700) Bennett identified the March 15, 1993, PriMedex Health Systems, Inc., and Affiliates Securities and Exchange Commission Form 10-Q marked People's Exhibit 33. (RT 720-721) People's Exhibit 33 in Note 6 on page 8 states the company as of January 21, 1993, completed the sale of 7,589,018 shares of common stock in a public offering for net proceeds of \$30,279,174.

(8) Direct examination by prosecution.

(9) Cross examination

i By Edward Murphy.

ii By codefendant's lawyer.

51. Prosecution Witness Mortenson, James

(1) Position in narrative **December 1992?**

(2) Accounting firm Mortenson & Associates, New Jersey, apparently **Brennan's accounting firm.**

(3) Acts 17, 18, 21. Jim Mortenson, a principal of Mortenson & Associates. Will corroborate testimony of Roger Tolins.

(4) Prosecution listed? Yes. Subpoena served? 340 North Avenue, Suite 6, Cranford, NJ.

- (5) January 26, 2000, Moss has *no* statement.
- (6) Rap sheets—see
- (7) Chronology/references
- (8) Direct examination by prosecution.
- (9) Cross examination
 - i By Edward Murphy.
 - (a) The accounting firm of Mortenson & Associates represented and advised CCC Franchising Corporation in its negotiations and acquisition of PriMedex Corporation, and it provided significant advice and input toward the preparation of the agreement.
 - (b) James Mortenson, the principal of Mortenson & Associates, will testify his firm conducted extensive due diligence review of PriMedex Corporation's corporate and financial records, corporate history, and business operations in order to properly advise its client about the acquisition. He verified that all factual representations made in the agreement were true, complete and accurate, including specifically representations about codefendant Gardner's sole ownership of PriMedex. Based on his extensive review of PriMedex Corporation's corporate and financial records, corporate history, and business operations, he has no reason to believe defendant was an equity owner of PriMedex Corporation.
 - (c) Certified public accountants Jeffrey Gilbert, Richard Cole, Richard Polep, and/or Jim Mortenson from the reputable accounting firms of Hollander & Gilbert, Grant Thornton, and Mortenson & Associates, would have testified that during the course of every year, PriMedex Health Systems, Inc., and/or PriMedex Corporation issued various public financial statements and reports, as required by law, detailing the financial and operational condition of the companies. Copies of these financial statements and reports were also attached to or referenced in the companies' securities offering registration statements, which were filed with the Securities and Exchange Commission. The primary purpose of issuing these statements and reports is to keep current and future investors of the companies apprised of the companies' business condition and prospects. Their accounting firms were retained by PriMedex Health Systems, Inc., and/or PriMedex

Corporation to conduct independent financial audits of the companies. Using generally accepted standards for auditing, which is comprised of a set of guidelines promulgated by the American Institute of Certified Public Accountants, their firms conducted independent audits of the financial statements and reports periodically issued by PriMedex Health Systems and/or PriMedex Corporation, to assess, among other things, the accounting principles or methods utilized by the companies' management. The significant financial and business estimates and assumptions adopted by the companies' management. The accuracy and completeness of the disclosures in the financial documents and reports. This assessment was done by testing a representative sample of the purported evidence supporting the selected disclosures. For example, the auditors selectively contacted lenders to verify the amount of the companies' stated debt position, or they reviewed a sample of vendor invoices to ascertain the existence and volume of purported outstanding account receivables. To conduct the audits, teams of certified public accountants were dispatched from their firms to the offices of PriMedex Health Systems, Inc., and/or PriMedex Corporation, and to the medical corporations' clinics. The auditing process can last up to several weeks, during which the auditing teams interviewed numerous employees and critically reviewed selected corporate records and financial documentation, among other things. At the end of the audits, the accounting firm, if it concludes that all of the information disclosed in the companies' financial statements and reports are materially accurate and complete, and that the company was carrying on its business in a lawful manner, it issued an opinion letter to certify the material accuracy and completeness of the companies' financial statements and reports. Certified audit opinion letters were issued on each occasion for PriMedex Health Systems, Inc., and/or PriMedex Corporation. Copies of some of these opinion letters are attached to or referenced in December 11, 1992, prospectus. During the course of their audits of PriMedex Corporation and/or

PriMedex Health Systems, Inc., they did not discover any information which demonstrates that defendant knowingly participated in any fraudulent, illegal or improper conduct relative to the companies' business operations. During the course of their audits, they did not discover any information which demonstrates that defendant directed anyone else to engage in fraudulent, illegal or improper conduct relative to the business operations of PriMedex Health Systems, Inc., and/or PriMedex Corporation. During the course of their audits, they did not discover that either company was engaged in any activity that was fraudulent, illegal or improper. Had they discovered any such information, they would have alerted the management and/or board of directors of PriMedex Health Systems, Inc., or PriMedex Corporation. Had they discovered any such information, they would not have issued a certified audit opinion letter. (Defense Exhibit A, pages 53-55)

- (d) With regard to PriMedex Health Systems, Inc., the auditors who verified the financial statements attached to its prospectus were from the reputable and very experienced accounting firms of Hollander & Gilbert, Grant Thornton, and Mortenson & Associates. Hollander & Gilbert, Grant Thornton, and Mortenson & Associates issued opinion letters certifying that, upon conducting their own independent audit of the financial condition of PriMedex Health Systems, Inc., and PriMedex Corporation, the financial information and statements which are disclosed in the prospectus are materially accurate and complete. Copies of these opinion letters are attached to the financial statements referenced in the prospectus.
- (e) Jim Mortenson, a principal of Mortenson & Associates, would have testified and corroborated the testimony of Roger Tolins. (Defense Exhibit A, page 26)

ii By codefendant's lawyer Richard/Leslie.

52. Prosecution Witness Tolins, Roger

- (1) Position in narrative **December 1992**, and July 26, 1993.
- (2) Securities lawyer, Tolins & Lowenfels, I think New York City.
- (3) Acts 21-23.

- (4) Prosecution listed? Yes!!!! Witness's phone 212 421 1965
- (5) Notes
 - i Was there an attorney client relationship between witness and defendant when defendant saw drafts of stock prospectus? I told witness I would go over my cross examination with him.
- (6) Rap sheets—see
- (7) Chronology/references
 - i Period before December 11, 1992. Defendant to Edward Murphy. Witness would regularly send defendant drafts of prospectus for defendant to review—OUCH! Per November 25, 1999.
 - ii July 26, 1993. Witness present at PriMedex Health Systems telephonic board meeting. PriMedex Health Systems, Inc., board of directors and Robert Brennan voted and decided to shut down the clinical operations of the medical corporations. Defendant did not advocate or recommend closing the clinics either at the board meeting or on any other prior occasion. Defendant did not participate in the board meeting. Defendant was not asked to give his input at the board meeting, and he gave none.
 - iii Witness to Edward Murphy on phone.
 - iv April 18, 2000. Witness to Edward Murphy on phone.
 - (a) Defendant supplied material, information for stock prospectus. **Defendant saw drafts of prospectus.**
 - (b) Witness says Brennan has been reported at present taking 5th in New York papers. Witness thinks Brennan will take 5th in California.
 - (c) I tell witness to tell the truth.
- (8) Direct examination by prosecution.
- (9) Cross examination
 - i By Edward Murphy.
 - (a) The law firm of Tolins & Lowenfels, and specifically attorney Roger Tolins, Esq., represented and advised PriMedex Health Systems in connection with the company's December 11, 1992, public stock offering. Witness is a securities attorney who advised PriMedex Health Systems, Inc., and Robert Brennan, PriMedex Health Systems, Inc., then-controlling shareholder, in related legal matters. Firm participated in the preparation of the prospectus. Mr. Tolins is a highly experienced securities lawyer, and he is qualified by background, education, and experience in securities law-related matters. Mr. Tolins would have testified he

conducted an extensive due diligence review of PriMedex Corporation's corporate records, corporate history, and its business operations in order to properly advise his client about the securities offering. Prior and final drafts of the prospectus were submitted to the SEC for verification. This involved an extensive and diligent review process, whereby highly-trained legal, financial, and government professionals and experts analyzed and cross-checked the information disclosed in the prospectus—including specifically representations regarding codefendant Gardner's sole ownership of PriMedex Corporation—for its material accuracy and completeness. He verified that all of the factual representations made in the prospectus were materially true, complete and accurate, including specifically representations about codefendant Gardner's sole ownership of PriMedex Corporation. Based on his extensive review of PriMedex Corporation's corporate and financial records, corporate history, and its business operations, he has no reason to believe defendant owned an equity interest in PriMedex Corporation and in fact believes defendant was not an owner of the company. (Defense Exhibit B, page 62)

- (b) Roger Tolins, Esq., a veteran securities attorney, will testify about the nature and specific legal significance of a prospectus and how defendant could reasonably rely on information disclosed in these prospectuses as accurate and authoritative. Tolins advised PriMedex Health Systems, Inc., concerning its stock prospectus. (Defense Exhibit A, page 27) He can verify the legal review and detailed cross-checking process which went into the production of these documents. Many companies, including PriMedex Health Systems, Inc., are legally required to issue a prospectus to the public when selling the company's stocks, bonds, or other securities. The potential buyers rely on the information in the prospectus to decide whether the offered security is a worthwhile investment. The prospectus contains a variety of information about the value, conditions, and terms of the particular security being sold, as well as critical information

about the company's operations, financial condition, line of business, and future plans, among other things. A copy of the prospectus is also filed with the Federal Securities and Exchange Commission, which is the agency that enforces the securities regulations of the United States. The final prospectus which is distributed to the public and submitted to the SEC is the result of a diligent and extensive process. This process involves highly trained legal, financial, and government professionals and experts analyzing and cross-checking the information disclosed in the prospectus for their material accuracy and completeness. For example, certain financial information must be reviewed and audited by certified public accountants from reputable accounting firms. With regard to PriMedex Health Systems, Inc., the auditors who verified the financial statements attached to its prospectus were from the reputable and very experienced accounting firms of Hollander & Gilbert, Grant Thornton, and Mortenson & Associates. Hollander & Gilbert, Grant Thornton, and Mortenson & Associates issued opinion letters certifying that, upon conducting their own independent audit of the financial condition of PriMedex Health Systems, Inc., and PriMedex Corporation, the financial information and statements which are disclosed in the prospectus are materially accurate and complete. Copies of these opinion letters are attached to the financial statements referenced in the prospectus. Legal experts also review information contained in the prospectus for material accuracy and completeness. In the PriMedex Health Systems, Inc., situation, lawyers for the company and the underwriters wrote and reviewed various prior drafts of the prospectus. An underwriter is essentially the salesman who executes and negotiates the sale of a company's securities to the public and to other investors. These prior drafts were also forwarded to legal experts resident at the Securities and Exchange Commission, who checked to see if the prospectus contained materially accurate and complete information. The SEC in turn communicated its comments and remarks to the company's and

underwriter's attorneys about what changes must be made to meet legal requirements. The prospectus was not finalized until lawyers for PriMedex Health Systems, Inc., and the underwriter approved and were satisfied that the documents made all the legally required and materially accurate disclosures. Furthermore, each of the directors of PriMedex Health Systems, Inc., had a legal duty to independently review the prospectus to ensure that the information disclosures in those documents were materially accurate and complete. Many of these individuals were themselves sophisticated businessmen and attorneys. Under the law, they could each be held criminally and/or civilly liable if the disclosures are found to be materially inaccurate or incomplete. Therefore, defendant could reasonably rely on these individuals for having the ability and motive to make certain that the prospectus made all the necessary and materially accurate disclosures.

- (c) Witness present at the July 26, 1993, PriMedex Health Systems telephonic board meeting. PriMedex Health Systems, Inc., board of directors and Robert Brennan voted and decided to shut down the clinical operations of the medical corporations. Among those in attendance at this meeting were PriMedex Health Systems, Inc., directors Andrew Alson, Roger Barnett, Roger Bodman, codefendant Gardner (a director of PriMedex Health Systems, Inc.) and controlling shareholder, Robert Brennan. Also in attendance at the July 26, 1993, board meeting by invitation were Roger Tolins and defendant. Prior to voting on the decision to shut down the clinical operations of the medical corporations, members of the board and Robert Brennan engaged in discussions about the matter and its related reasons. Defendant was not, and never was, an officer, director or controlling shareholder of PriMedex Health Systems, Inc., or PriMedex Corporation. Defendant did not have any voting power at the July 26, 1993, board meeting, nor did he ever have or exercise any such voting power. Defendant did not advocate or recommend closing the clinics either at the board meeting or on any other prior occasion. Defendant did not participate in the board meeting.

Defendant was not asked to give his input at the board meeting, and he gave none. (Defense Exhibit A, pages 58-59)

ii By codefendant's lawyer Richard/Leslie.

53. Prosecution Witness Feegel, John
- (1) Position in narrative **December 1992**
 - (2) Stockbroker, F. N. Wolf & Co., Inc.
 - (3) Acts 21-23. Defendant's finder's fee? December 1992 defendant at Brennan's side, at side of Franklin Wolf, in Washington D.C. telling about PriMedex Corporation.
 - (4) February 6, 2000, no hits. Apparently Richard *has* witness statement(s), per January 26, 2000.
 - (5) Prosecution listed? Yes.
 - (6) Witness has diarehea of the mouth. Relisten to tape before he testifies. A lot of 402 here. But maybe I should make Franklin Wolf and Brennan the bad guys. Then let it all go in. **But the problem is defendant on the stage with Franklin Wolf!**
 - (7) Rap sheets—see
 - (8) July 8, 1994, tape. Witness stockbroker for F. N. Wolf & Co., Inc. from summer 1991 until January 1992. December 1991 defendant at Brennan's side in D.C. telling about PriMedex Corporation. *Maybe* witness won't testify defendant said stock good buy? I don't think so. He does not remember what defendant said, if anything. Probably need Bob Navarro to interview this witness. April 5, 2000: Rebecca, we need only verbatim RT only where witness talking about defendant.
 - (9) **Evidence Code § 402 hearing. District attorney will try to elicit this witness scary way F. N. Wolf & Co., Inc., operated including physical violence!**
 - (10) Direct examination by prosecution.
 - (11) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.
54. Prosecution Witness Thiel, Earl. I'm assuming this is the witness district attorney describes as Theil, Frank. Rebecca maybe you can find out from Mr. Shidler.
- (1) Position in narrative **December 1992** through June 1993
 - (2) F. N. Wolf & Co., Inc., stockbroker in San Mateo, California
 - (3) Acts 21-23. Stock prospectus said PriMedex Corporation and medical corporations didn't pay for patients. Defendant's \$1,000,000 and \$500,000 checks. What's the connection with 21 and 22-23? Maybe district attorney wants to call Earl not Frank to show sales in California

- (4) February 7, 2000, no digital hits for Theil, Frank. Apparently Richard has *no* Theil, Frank statement(s), per January 26, 2000.
 - (5) Notes. There *is* a June 22, 1994, taped statement from *Earl* Thiel. Earl worked for *Franklin* Wolf. Is this where the Frank came from?
 - (6) Prosecution listed? Theil, Frank. Earl seems to be more of a defense witness. Maybe we'll have Navarro subpoena him. Check with Richard/Leslie. Do they want Earl?
 - (7) Rap sheets—see
 - (8) December 1992 through January 1993. Witness Earl participated in PriMedex Health Systems, Inc., stock offering.
 - (9) June 1993. Witness Earl participated in PriMedex Health Systems, Inc., bond offering.
 - (10) June 22, 1994. Statement. Witness Earl doesn't personally know defendant.
 - (11) Direct examination by prosecution.
 - (12) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.
55. Prosecution witness William Flores
- (1) Position in narrative **December 1, 1992?**
 - (2) Lead Los Angeles district attorney investigator
 - (3) Listed? Yes
 - (4) References (chronologically).
 - (5) Direct examination by prosecution.
 - (6) Cross examination
 - i By Edward Murphy.
 - (a) Witness can testify that his office's thorough review of PriMedex Corporation's corporate bylaws failed to uncover any references to defendant as an officer of the company. Witness's office's thorough review of PriMedex Corporation's corporate minutes of directors meetings failed to uncover any information showing that defendant, was elected or designated to serve as an officer of the company.
 - (b) His office's thorough review of records and statements on file with the Secretary of State pertaining to PriMedex Corporation failed to uncover any information showing that defendant served as a corporate officer of PriMedex Corporation.
 - (c) During the execution of search warrants at the offices and clinics of PriMedex Corporation and the medical corporations December 1, 1992, and June

22, 1994, district attorney and other law enforcement personnel interviewed dozens of PriMedex Corporation and medical corporations personnel and employees. (Defense Exhibit A, page 9) Some of them were directed to fill out pre-printed questionnaires. Many of these interviews were taped. The interviewers also took down notes of the interviews and made reports of their conversations. The defense requested the prosecution to produce the questionnaires, tapes, notes and reports, in their entirety, as well as the testimony of the individuals who were interviewed, because they contain critical exculpatory evidence regarding defendant. None of the witnesses indicated defendant knowingly participated in, or asked anyone else to participate in, any fraudulent or illegal activity. Many of the individuals also stated they did not know of any fraudulent or unlawful act committed by anybody associated with either company. Any reports, notes, and tapes of these witnesses, as well as the testimony of these individuals, are exculpatory information for defendant; therefore, the district attorney was requested to present those materials as well.

ii By codefendant's lawyer Richard/Leslie.

56. Prosecution *Alternative* MAYBE OUCH Witness Vanessa Hammonds
- (1) Position in narrative **before December 1, 1992**
 - (2) Notes. Watch out! Edwards says witness said **defendant told witness to remove tapes from computers before December 1, 1992, search!**
 - (3) Listed? District attorney *alternate* list. Why? In April 1993 PriMedex Corporation supplied the district attorney with Ms. Hammonds' then-current address.
 - (4) Rap sheets—see
 - (5) June 1990. Employed PriMedex Corporation to February 1994
 - (6) I have a feeling one or more statements.
 - (7) May 1996 grand jury RT 889. Testified. Botello didn't ask witness about defendant telling her to remove computer tapes.
 - (8) Direct examination by prosecution.
 - (9) Cross examination
 - i By Edward Murphy.
 - (a) Former Supervisor of PriMedex Corporation's Patient Files Auditing Department
 - (b) She and her department were solely responsible for

- processing the medical corporations' medical-legal and treatment billings to the insurance carriers;
- (c) Every member of the medical corporations' medical staff was given a card pre- printed with specific medical-legal and treatment procedures. The medical staff member would check off each procedure printed on the card which they administered or prescribed for the patient. This card was called a Super Bill,- and each procedure specified in it was also identified by a pre-designated numerical code printed next to the procedure description
 - (d) At the end of each patient examination or clinical visit, the medical staff member would sign and submit the completed Super Bill to the Patient Files Auditing Department
 - (e) A data input personnel from the Patient Files Auditing Department would then enter into a computer the pre-designated code that corresponds to each checked-off procedure on the Super Bill
 - (f) The computer was programmed so that for each pre-designated code that was entered, it would convert it into a pre-determined unit cost, which was printed out as a bill along with the corresponding procedure description
 - (g) This computer-generated bill is submitted to the insurance carrier for payment; 7) defendant never submitted any Super Bills processed by the Patient Files Auditing Department
 - (h) defendant never asked any Patient Files Auditing Department personnel to alter a Super Bill or to input any information into the billing computer other than that which was checked off on the Super Bill by the medical staff member.

ii By codefendant's lawyer Richard/Leslie

57. Prosecution MAYBE OUCH Witness Edwards, Sharon
- (1) Position in narrative **before December 1, 1992**
 - (2) PriMedex Corporation collections
 - (3) Witness is African American? Alleged acts 2, 8, 21. Crown?
 - (4) February 6, 2000, no hits. Apparently Richard *has* witness statement(s), per January 26, 2000.
 - (5) Prosecution listed? Yes.
 - (6) Rap sheets—see
 - (7) November 1991. Witness started working PriMedex Corporation

collections.

- (8) Before December 15, 1992. Witness fired for insubordination. Witness thinks maybe by defendant!
- (9) December 15, 1992, statement testify FBI Myers.
- (10) Direct examination by prosecution. Apparently **defendant calling in before December 1, 1992, and saying remove the tapes is hearsay re this witness.**
- (11) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.

58. Prosecution OUCH Witness Bowman, Shelly

- (1) Position in narrative **December 1, 1992**
- (2) Investigator for the Los Angeles District Attorney's office.
- (3) Recovered Attorney Blue Books
- (4) Prosecution listed? Yes.
- (5) References (chronologically).
 - i Grand jury witness testified she recovered Attorney Blue Books for 1988 (People's Exhibit 5C1) and 1991 (People's Exhibit 5C2) pursuant to a search warrant of 3641 South La Brea Boulevard and 3711 South La Brea Boulevard in December 1992. (RT 908-909, 945)
 - ii The Attorney Blue Books listed attorneys with patients at PriMedex Corporation, and the amount of money received on those cases in billings.
- (6) Direct examination by prosecution.
- (7) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.

59. Prosecution Witness Garcia, Jimmy

- (1) Position in narrative **December 1, 1992**
- (2) Los Angeles district attorney investigator.
- (3) Neurological Orthopedic Associates, 815 West Washington Boulevard, Montebello. Memo schedule patients referred by Injury Central with listed attorneys. **Copy to defendant.**
- (4) Prosecution listed? Yes.
- (5) Rap sheets—see
- (6) References (chronologically).
 - i May 1966 grand jury.
 - (a) Jimmy Garcia testified he inventoried thousands of documents during the execution of a search warrant at "Neurological Orthopedic Associates," 815 West Washington Boulevard, Montebello, on December 1, 1992. (RT 861) Garcia turned over part of the

evidence to Flores. (RT 861) Adams testified he recovered numerous documents pursuant to a search warrant at 6167 Bristol Parkway, Culver City, December 3, 1992. (RT 882)

- (b) The deputy district attorney showed Garcia People's Exhibit 5E5, a March 20, 1992, memo from codefendant Punturere saying schedule patients referred by Injury Central with listed attorneys. Copies of People's Exhibit 5E5 are indicated to codefendant Gardner, Sobol, Richlin, Durwin Corrales and defendant. Garcia testified he marked People's Exhibit 5E5 as coming from 815 West Washington Boulevard (RT 862) apparently Neurological Orthopedic Associates in Montebello.

- (7) Direct examination by prosecution.
- (8) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.

60. Prosecution Witness Decker, Melissa

- (1) Position in narrative **after December 1, 1992** seizures.
- (2) Los Angeles district attorney senior law clerk.
- (3) Summaries of checks.
- (4) Apparently Richard *has* statement(s), per January 26, 2000. Probably district attorney investigation reports.
- (5) Prosecution listed? Yes.
- (6) Rap sheets—see
- (7) References (chronologically).
 - i After December 1, 1992
 - ii May 1996 grand jury.
- (8) Direct examination by prosecution.
- (9) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.

61. Prosecution Witness Tankenson, Poppy

- (1) Position in narrative **before Greene, Dennis**
- (2) Los Angeles district attorney bureau of investigation major fraud and workers' compensation fraud units.
- (3) Witness calculated the number of charges for \$15.50, \$19 and \$22 from M.S.I. Laboratories. Blood panels.
- (4) Notes.
- (5) Prosecution listed? Yes.
- (6) Apparently Richard *has* witness statement(s), per January 26,

2000.

- (7) Rap sheets—see
- (8) May 1966 grand jury.
 - i Poppy Jenny Tankenson testified Flores within the past month (April-May 1996) gave her records from M.S.I. Laboratories. (RT 676) She calculated the number of charges for \$15.50, \$19 and \$22. (RT 676) Dennis Craig Greene testified he got information from Tankenson. (RT 680) Green prepared People's Exhibit 10B. (RT 680) People's Exhibit 10B is listed in People's Exhibit 1 as M.S.I. Laboratories blood schedule (comprehensive panel) People's Exhibit 10B marks down different rates according to year between 1989 and 1993, and it gives you a total amount of each rate for that year, how many times they were billed. Blood panels.
- (9) Direct examination by prosecution.
- (10) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.

62. Prosecution Witness Greene, Dennis

- (1) Position in narrative I guess **after December 1, 1992** search; after Tankenson, Poppy
- (2) Employee Los Angeles district attorney workers' compensation fraud section.
- (3) Witness prepared M.S.I. Laboratories blood schedule (comprehensive panel).
- (4) Prosecution listed? Yes.
- (5) Rap sheets—see
- (6) May 1966 grand jury.
 - i Tankenson testified Flores gave her records from M.S.I. Laboratories. (RT 676) She calculated the number of charges for \$15.50, \$19 and \$22. (RT 676) Dennis Craig Greene testified he got information from Tankenson. (RT 680) Green prepared People's Exhibit 10B. (RT 680) People's Exhibit 10B is listed in People's Exhibit 1 as M.S.I. Laboratories blood schedule (comprehensive panel).
- (7) Direct examination by prosecution.
- (8) Cross examination
 - i by Richard/Leslie.
 - ii By Edward Murphy.

63. Prosecution OUCH Witness Hahn, Frederick

- (1) Position in narrative **December 10, 1992**

- (2) Broker for L.C. Waygardt
- (3) Defendant said most fantastic stock offering he's been associated with in his numerous years in the investment business. Notice this is after the December 1, 1992, raids!
- (4) Acts 21-23
- (5) Prosecution listed? Yes.
- (6) Apparently Richard *has* witness statement(s), per January 26, 2000.
- (7) Rap sheets—see
- (8) May 1966 grand jury.
 - i Hahn testified he was a broker for L.C. Waygardt which participated in a “new issue” offering called PriMedex Health Systems, Inc. (RT 953) He attended a due diligence meeting for the PriMedex offering at the Philadelphia Airport Marriott on December 10, 1992. (RT 954) Defendant gave a presentation. (RT 956)

Q. Do you recall what Stanley Goldblum said?

A. Stanley Goldblum was more general in that he discussed how this was the most fantastic stock offering he's been associated with in his numerous years in the investment business.

Q. Do you know what the purpose of this public offering was?

A. We were told it was to raise capital to retire loans that had been initiated in the acquisition and development of new business for PriMedex. (RT 957)

(9) Direct examination by prosecution.

(10) Cross examination

i By Edward Murphy.

ii By codefendant's lawyer.

64. Prosecution Witness Garrison, Mark

(1) Position in narrative: had to have been **late 1992**

(2) Purchased PriMedex Health Systems, Inc., stock.

(3) February 6, 2000, search no digital hits. Apparently Richard *has* witness statement(s), per January 26, 2000. Me too.

(4) Listed? Yes! Alleged act 21.

(5) Rap sheets—see

(6) See May 21, 1996. Tarlow memo saying establish insurance company responsible for witness's loss.

(7) December 14, 1999, taped statement, per December 17, 1999

(8) Direct examination by prosecution.

(9) Cross examination

i By Edward Murphy.

ii By codefendant's lawyer.

65. Prosecution Witness Warren, David

- (1) Position in narrative **end of 1992**
 - (2) PriMedex Health Systems, Inc., shareholder
 - (3) Purchased 1,000 shares
 - (4) Act 21
 - (5) Notes.
 - (6) Prosecution listed? Yes.
 - (7) Apparently Richard *has* witness statement(s), per January 26, 2000.
 - (8) Rap sheets—see
 - (9) May 1996 grand jury.
 - i Witness testified he purchased 1,000 shares of PriMedex Health Systems, Inc. (RT 780, 783) He couldn't give an exact date. Somewhere the end of 1991 or early 1992 or possibly the end of 1992. (RT 782) Prior to purchasing the shares, the broker sent Warren F. N. Wolf & Co., Inc.'s prospectus. (RT 780) Warren believed the broker mentioned the name "Brenner." (RT 782) Warren read through F. N. Wolf & Co., Inc.'s prospectus. (RT 782) Warren believed he paid \$4.50 per share. (RT 782) On May 14, 1996, the shares were worth approximately 20 percent of what Warren paid for them. (RT 784-784)
 - (10) Direct examination by prosecution.
 - (11) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.
66. Prosecution Witness Ripa, Connie
- (1) Position in narrative 1989 **until 1993**
 - (2) Medical Science Institute Laboratories, Inc. (M.S.I.)
 - (3) The charge for a comprehensive blood panel was \$19 when they first started then dropped to \$15.50 in June 1991.
 - (4) Acts 2, 7, 9
 - (5) Notes.
 - (6) Prosecution listed? Yes.
 - (7) Apparently Richard *has* witness statement(s), per January 26, 2000.
 - (8) Rap sheets—see
 - (9) May 1966 grand jury.
 - i Connie Louise Ripa identified People's Exhibit 45, Medical Science Institute Laboratories, Inc. (M.S.I.) blood test billings to the codefendant Gardner corporations except Crown Imaging from 1989 until 1993. (RT 877) The charge for a comprehensive blood panel was \$19 when they first started then dropped to \$15.50 in June 1991. (RT 879) There was a \$22 rate too. (RT 879)

- (10) Direct examination by prosecution.
- (11) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.

67. Prosecution Witness O'Loughlin, John

- (1) Position in narrative **1993 or 1994.**
- (2) Alleged act 21. Purchased PriMedex Health Systems, Inc., stock in 1993 or 1994.
- (3) Listed? Yes
- (4) Rap sheets—see
- (5) December 14, 1999, taped statement per December 17, 1999
- (6) Direct examination by prosecution.
- (7) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.

68. Prosecution Witness Elias Munoz

- (1) Significant testimony period from **fall of 1993**
- (2) CEO Bristol A. R., Inc.
- (3) Witness doesn't know defendant.
- (4) Notes.
- (5) Listed? Yes
- (6) Rap sheets—see
- (7) May 1966 grand jury.
 - i Munoz testified he became employed by PriMedex Corporation in the fall of 1993. (RT 411) When shown defendant's picture, Munoz had no idea who he was. (RT 411) Defendant has no interest in Bristol A. R., Inc. (RT 453)
 - ii Who was in charge of billing and collections changed over time. Collections were "ultimately" codefendant Gardner and defendant, but the manager would have been Norman Corrales, and then became Eric Salvalo and then Elias Munoz.
 - iii Munoz testified he was chief executive officer (in May 1996) of Bristol A. R., Inc. (RT 412) Munoz testified Bristol A. R., Inc. purchased \$50 million in accounts receivable from PriMedex Health Systems, Inc. (RT 412) August 1, 1995 (RT 415). The deputy district attorney asked Munoz:

Q. How much did you pay for the \$50 million accounts receivable?

- A. Approximately nine-and-a-half million.⁵
- Q. When you negotiate a bill, how do you go about that?
- A. Well, first you have got to see why the insurance company doesn't want to pay. *It's a standard litany of why they don't pay.*
- Q. I'm not asking that question.
- iv Referring to People's Exhibit 21 (RT 421) the deputy district attorney asked Munoz:
- Q. According to this run, for this procedure 0075?
- A. Yes.
- Q. The amount of that procedure was billed for \$125. Is that correct?
- A. That's what *this run* would show. (RT 425; emphasis added)
- ...
- Q. My question is, that's what their records indicate, that they are were billing, \$125; right?
- A. To be very honest, no. These are not *their* records. These are something *we* created. I know what they charged \$125 for, I know what we tried to collect at \$125, I know that \$125 is in here, so you could do a leap of logic, so to speak. But I cannot testify that these records, that sit before me, that I have talked about, will prove or demonstrate what was charged. I just need to be very careful. I'm trying to be very careful.
- Q. I understand. I have nothing further of this witness. (RT 452)
- (8) Direct examination by prosecution.
- (9) Cross examination.
- i By Richard/Leslie.
- ii By Edward Murphy.
- (a) On cross examination maybe try use this witness to establish **all of PriMedex Corporation's workers' compensation billings between 1989 and 1993 were reasonable** so long as the rates were commensurate with the medical corporations' usual and customary fees, and the charges were documented.
- (b) Excessive billings for services provided by the medical corporations. This contention presumes there existed a legally mandatory cap on billing rates which controlled. However this is not necessarily the case. The laws and regulations which govern billing rates in the workers' compensation field. Properly assess the potential allegations of excessive billing against PriMedex Corporation. Mr. Elias

5. Corrigan testified the accounts receivable were sold to Bristol A. R., Inc. in July 1995 for \$9,448,000. (RT 233)

- Munoz can testify and explain these critical legal concepts to the jury.
- (c) Munoz was ...is? ...the chief executive officer of Bristol and he has extensive litigation experience before the Workers' Compensation Appeals Board. He is a law school graduate and he was employed as a legal department supervisor at PriMedex Corporation. He is knowledgeable about workers' compensation law, including provisions which govern the billing for medical procedures. Mr. Munoz is responsible for training the legal and hearing representative staff at Bristol, and he also personally conducts continuing legal education sessions on workers' compensation law. Mr. Munoz is qualified by education, background and experience to present information including the following.
 - (d) Bristol is a successor company to PriMedex Corporation, and it is responsible for collecting all of the outstanding receivables generated by the medical corporations
 - (e) Mr. Munoz can testify that prior to July 16, 1993, there was not a statutorily mandated cap on the rate at which PriMedex Corporation could bill for medical services provided by the medical corporations. Labor Code § 5307.1 (prior to amendment by Stats. 1993, c. 121 (A.B. 110) § 56, eff. July 16, 1993). Because the medical corporations stopped examining and treating workers' compensation patients soon after July 1993, virtually none of the medical corporations' billings are subject to the statutory cap.
 - (f) Prior to July 16, 1993, workers' compensation billings were presumed to be reasonable and lawful if they matched rates set forth in the administratively promulgated Official Medical Fee Schedule. Labor Code § 5307.1 (as amended by Stats. 1990, C. 1550 (A.B. 2910), § 54.5)
 - (g) The law requires the Official Schedule to be revised biennially. However, state officials neglected to make the requisite revisions starting in 1989 and through 1993. See *Gould v. W.C.A.B.*, 4 Cal.App.4th 1059, 1071 (1992).
 - (h) Some courts have held that, with respect to billings for injuries sustained between 1989 and 1993, the

unrevised Official Schedule rates are invalid and thus are not a relevant consideration in evaluating the reasonableness of billings. See *Madison v. L.A.U.S.D.*, MON 28755, October 20, 1993, Order Denying Reconsideration (defense barred from presenting Official Medical Fee Schedule as evidence of reasonable billing rate on relevance grounds due to untimely revision of Schedule). Other courts have held that Official Schedule rates are to be accorded limited weight. See *Gould, supra*. (“The WCAB should consider the failure of the administrative director to revise the schedule every two years as mandated by Labor Code § 5307.1 in determining whether a fee in excess of the schedule is reasonable.”).

- (i) Consequently the test for the reasonableness of billings for injuries sustained between 1989 and 1993 is whether they are commensurate with the physician’s usual and customary fee for the same service. See *Reynoso v. Bouma Dairy*, POM 178824, 178239, April 15, 1994, Opinion and Order Granting Reconsideration and Decision After Reconsideration. Cf. *Gould, supra* (“extraordinary circumstances” need not be shown to justify reasonableness of billing excess of Official Schedule rates). All of PriMedex Corporation’s workers’ compensation billings between 1989 and 1993—including specifically billings for diagnostic services performed by Crown Imaging and Bristol Diagnostics—are reasonable so long as the rates are commensurate with the medical corporations’ usual and customary fees, and the charges are documented. The grand jury should utilize this standard to evaluate the district attorney’s potential allegation that Priniedex Corporation billed “excessively” for the medical corporations’ medical services. Accordingly, in order for the grand jurors to properly assess the District Attorney’s allegation of excessive billing, they must be given information about the medical corporations’ usual and customary fees for the contested services.
- (j) Witness has extensive litigation experience before the Workers’ Compensation Appeals Board. He is extremely knowledgeable about workers’ compensation law, including specifically the legal

requirements of a medical-legal report. Mr. Munoz is responsible for training the legal and hearing representative staff at Bristol A/R, and he also personally conducts continuing legal education sessions on workers' compensation law. Mr. Munoz can explain to the grand jury the legal requirements of a medical legal report, as set forth in section 4628 of the California Labor Code.

- (k) Specifically, Mrs. Munoz is qualified by background, experience, and education to testify that Cal. Lab. Code § 4628 applies only to injuries sustained on or after January 1, 1990. Prior to that time there were essentially no meaningful substantive regulations governing the preparation of medical-legal reports. Therefore, it would be invalid for the district attorney to accuse the Medical Corporations of preparing legally deficient medical-legal reports which pertain to injuries sustained before 1990.
- (l) For injuries sustained after January 1, 1990, medical-legal reports are subject to these essential legal requirements. The physician who signs the medical-legal report must have actually examined the patient and participated in the substantive preparation of the report, including taking the patient's medical history, reviewing and summarizing prior medical records, if any' and composing and drafting the conclusions of the report. Cal. Lab. Code § 4628(a). It is permissible for the physician who signs the medical-legal report to not have been personally involved in the initial outlining of the patient's medical history or the initial excerpting of the patient's medical records, so long as he reviews the entire outline and summary which have been prepared and he makes additional inquiries and examinations as necessary to accurately understand the patient's medical situation, Cal Lab.Code § 4628(c). The medical-legal report shall also disclose the name and qualifications of any person who administers diagnostic studies. Cal.Lab. Code § 4628(c)(before 1993 amendment).
- (m) The following additional legal requirements apply to medical-legal reports prepared after September 30, 1992. The report shall also disclose (a) the time and

location of the examination, (b) that the physician(s) signing the report actually performed the examination, (c) whether the examination performed and time spent on the examination met established professional or industry standards, and if such standards were not met the reasons for the variance. If any evaluative medical or diagnostic services were performed by a person not employed by the physician who signed the report, then the report shall disclose the amount that person will be paid for the services billed. The report shall contain a declaration under penalty of perjury by the physician who signed the report, stating that all the information contained in the report are true and correct to the best of his knowledge.

- (n) Because the substantive legal requirements for the preparation of medical-legal reports changed significantly over time, the district attorney must specify for the grand jurors the specific injury date and report date of each medical-legal report which it claims is legally deficient. It would thus be invalid for the prosecution to broadly allege that the medical corporations' policies and practices on the preparation of medical-legal reports were illegal.

69. Prosecution Witness Caruso, Robert

- (1) Significant testimony **October 1993**
- (2) PriMedex Health Systems, Inc., vice-president and chief financial officer.
- (3) Acts 21-23
- (4) Apparently Richard has *no* statement(s), per January 26, 2000.
- (5) Notes.

i Had defendant the authority to approve the Summit Capital proposal, he would have. However, the authority for such a decision at that time was vested in Robert Caruso, the man then hand-picked by the PriMedex Health Systems, Inc., controlling shareholder, Robert Brennan, to succeed as the parent company's vice-president and chief financial officer. Mr. Caruso summarily rejected the Summit Capital proposal in or about October 1993. During the time when the medical corporations' clinics were in the process of being shut down in the fall of 1993, Robert Caruso was the authoritative person overseeing, monitoring, and making operational management decisions for PriMedex Health Systems, Inc., PriMedex Corporation, and the medical

corporations. (Defense Exhibit A, pages 68-69)

- (6) Prosecution listed? Yes.
 - (7) Rap sheets—see
 - (8) References (chronologically).
 - (9) Direct examination by prosecution.
 - (10) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.
70. Prosecution witness Rust
- (1) Position in narrative **June 22, 1994**
 - (2) Los Angeles district attorney workers' compensation fraud supervising investigator
 - (3) Notes.
 - i 402 Equity Funding, defendant is celebrity in fraud. See page 5 RT
 - (4) Prosecution listed? District attorney did not list but district attorney will call unless Flores heard everything defendant said. *Is Rust dead or unavailable???????*
 - (5) Chronology/references.
 - (6) Direct examination by prosecution.
 - i Defendant's statement on June 22, 1994
 - (a) I met Gardner in the early 1980s
 - (b) I met Brennan. Brennan bought Gardner's company. Brennan lent the money to CCC Franchising Corporation
 - (c) Brennan paid me \$1 million consultant fee in sale of PriMedex Corporation
 - (d) I read the stock prospectus. There are no omissions
 - (e) May 1993 Gardner agreed with Brennan to shut down business. OUCH!
 - (7) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.
71. Prosecution Witness Rhoades, Michael
- (1) Position in narrative **June 22, 1994**
 - (2) Los Angeles district attorney apparently investigator
 - (3) Search warrant at defendant's condo, 121 Palm Street, No. 603, Beverly Hills, California.
 - (4) Notes.
 - (5) Prosecution listed? Yes.
 - (6) Rap sheets—see
 - (7) May 1966 grand jury. (RT 849) District attorney didn't put in defendant's statements.

- i Michael Overton Rhoades testified he recovered People's Exhibit 16L2 from defendant's house on June 22, 1994. (RT 850) Exhibit 16L2 is a memo from Lowrey to defendant dated August 22, 1992. Subject is "Your Account." It shows "total accrued earnings as of July 31, 1992, of, apparently, \$297,678. It lists cash payments February through July. It lists checks issued to defendant in January and February 1992 totaling, apparently, \$219,470.85. It lists 19 checks issued to Health System Financial Corporation, February 25, 1992, through August 18, 1992, totaling, apparently, \$643,360.54.
- ii Rhoades testified he recovered People's Exhibit 16L4 from defendant's house on June 22, 1994. (RT 850) Exhibit 16L4 is a copy of a \$1 million check dated January 6, 1992, payable to defendant, drawn on the Due Process Stables, Inc., account with First Fidelity Bank, N.A., New Jersey. (RT 853)
- iii The deputy district attorney showed Donna Ruth Dunbar, employee of Smith Barney, People's Exhibit 16L4. Dunbar testified it was a check deposited to defendant's Smith Barney account. (RT 529-530) Dunbar recognized People's Exhibit 16L5 as a statement of defendant's Smith Barney account. (RT 530) It showed a deposit of \$1 million January 8, 1992. (RT 530) Rhoades testified he recovered People's Exhibit 16L5 from defendant's house on June 22, 1994. (RT 851)
- iv Rhoades testified he recovered People's Exhibit 16L1 from defendant's house on June 22, 1994. (RT 850) Exhibit 16L1 is two handwritten pages including headings that say "FINDER'S FEE SCHEDULE," "92 iNCOME Proj," and "Cash FLOW Jul/25/92—12/30/92." The earliest legible date on People's Exhibit 16L1 is January 31, 1992. It says, "Bal. on 1/31/92 \$1,000,000." Bruce Roth Greenwood testified he was a forensic document examiner and took a sample of defendant's handwriting. (RT 819, 820) He testified in his opinion defendant wrote People's Exhibit 16L1. (RT 819-820)
- v Rhoades testified he recovered People's Exhibit 16L7 from defendant's house on June 22, 1994. (RT 851) At the top of People's Exhibit 16L7 is "Stan Goldblum Schedule of Fees/Forms 1090 1992." The earliest date on Exhibit 16L7 is January 5, 1992, showing \$1,000,000 followed by the comment "Due Process Stables."
- vi The prosecution makes no claim defendant's state or federal tax returns for 1992 or any year were out of order in

- any manner.
- vii Rhoades testified he recovered People's Exhibit 16L6 from defendant's house on June 22, 1994. (RT 851) Exhibit 16L6 is a \$500,000 check, number 10, dated April 30, 1992, payable to defendant, drawn on the Dreyfus Worldwide Dollar Money Market Fund, Inc., account with the Bank of New York, White Plains, New York. The check also reads ALAN NOVICH TTEE DTD 3/15/89 FBO ALLISON PACE & KIMBERLY PACE. People's Exhibit 16L6 also includes a May 1, 1992, statement on defendant's letterhead to Alan Novich, Trustee, for services rendered \$500,000.
- (8) Direct examination by prosecution.
- (9) Cross examination
- i By Edward Murphy.
- ii By codefendant's lawyer.
72. Prosecution Witness Gillum, Michael
- (1) Position in narrative **June 22, 1994**
- (2) Los Angeles district attorney investigator.
- (3) Gardner's home.
- (4) Apparently Richard *has* witness statement(s), per January 26, 2000.
- (5) Notes.
- (6) Prosecution listed? Yes.
- (7) Rap sheets—see
- (8) May 1966 grand jury.
- i Weiner testified he was involved in the sale of PriMedex Corporation. (RT 682) Weiner recognized People's Exhibit 16I as memorializing the PriMedex Corporation acquisition. (RT 683) Witness testified he seized People's Exhibit 16I from codefendant Gardner's home June 22, 1994. (RT 865) The general terms of the purchase agreement were approximately \$30 million in cash, roughly \$2 million shares of the purchaser's common stock. (RT 683) Out of the cash, \$5 million was withheld into an escrow account. (RT 683) Weiner testified the total purchase price, based on the value of the common stock at the time, if it was in the \$8 range, would have been approximately \$45 million. (RT 684)
- (9) Direct examination by prosecution.
- (10) Cross examination
- i By Edward Murphy.
- ii By codefendant's lawyer.

73. Prosecution Witness Meridith, James
- (1) Position in narrative January 1, 1988, I guess through **day witness testifies at trial**
 - (2) State Compensation Insurance Fund special investigator.
 - (3) Total paid Gardner organizations by the State Compensation Insurance Fund January 1, 1988, through April 29, 1996, was \$24,857,136.57. Alleged acts 2, 8
 - (4) Notes.
 - i James Louis Meridith testified the total paid “Dr. Gardner organizations” by the “State Compensation Insurance Fund” January 1, 1988, through April 29, 1996, was \$24,857,136.57. (RT 804)
 - (5) Prosecution listed? Yes.
 - (6) Apparently Richard *has* witness statement(s), per January 26, 2000.
 - (7) Rap sheets—see
 - (8) References (chronologically).
 - (9) Direct examination by prosecution.
 - (10) Cross examination
 - i By Edward Murphy.
 - ii By codefendant’s lawyer.
74. Prosecution Witness Shaw, Kevin
- (1) Position in narrative probably **day witness testifies at jury trial**
 - (2) Pacific Rim Assurance Company claims director
 - (3) \$1.4 million in outstanding liens should not be paid. *Object insufficient foundation.*
 - (4) Acts 2, 8
 - (5) Notes.
 - (6) Prosecution listed? Yes.
 - (7) Apparently Richard has *no* statement
 - (8) Rap sheets—see
 - (9) May 1966 grand jury.
 - i Shaw testified he was Pacific Rim Assurance Company claims director (RT 828) and it was his job to decide whether to pay a lien (RT 831). He was “advised” there were \$1.4 million in outstanding liens against Pacific Rim Assurance Company held by the Gardner medical corporations. (RT 830) The deputy district attorney asked Shaw:
- Q. Do you have an opinion as to why the liens are not being paid?
- A. Yes.
- Q. What is your opinion?
- A. That the reports were ghost written; that we have been billed for charges for services that were never performed; that we were

billed for charges in excess of a reasonable charge; that the reports were signed by doctors who never performed the services; that they had blanket charges ordering certain services across the board for all patients that were seen regardless and not stating in their account the individual facts of the case. We have information, and I saw evidence that *they* were paying attorneys *fees* to send patients over and that's about it. (RT 831)

- (10) Direct examination by prosecution.
- (11) Cross examination
 - i By Edward Murphy.
 - ii By codefendant's lawyer.