

1 CAUSE NO. 05-11461  
2 ADVANTAGE CONFERENCES, LLC,\* IN THE DISTRICT COURT

\*

3 Plaintiff, \*

\*

4 vs. \*

\* 14TH JUDICIAL DISTRICT

5 BETTER BUSINESS BUREAU OF \*

METROPOLITAN DALLAS, INC. \*

6 AND JON TAYLOR, \*

\*

7 Defendants. \* DALLAS COUNTY, TEXAS

8 \*\*\*\*\*

9 ORAL AND VIDEOTAPED DEPOSITION OF

10 TIMOTHY DARNELL

11 JANUARY 10, 2006

12 \*\*\*\*\*

13

14 ORAL AND VIDEOTAPED DEPOSITION of TIMOTHY

15 DARNELL, produced as a witness at the instance of the

16 Defendant, Better Business Bureau of Metropolitan

17 Dallas, Inc., and duly sworn, was taken in the

18 above-styled and -numbered cause on the 10th day of

19 January, 2006, from 9:27 a.m. to 1:11 p.m., before

20 Janis Morris Rogers, CSR in and for the State of Texas,  
21 reported stenographically, at the offices of Ciarochi  
22 and Associates, PLLC, One Hickory Centre, 1800 Valley  
23 View Lane, Suite 130, Dallas, Texas 75234, pursuant to  
24 the Texas Rules of Civil Procedure and the provisions  
25 stated on the record.

2

1           A P P E A R A N C E S

2   FOR THE PLAINTIFF:

      Mr. Jason Ciarochi

3   CIAROCHI AND ASSOCIATES, PLLC

      One Hickory Centre

4   1800 Valley View Lane

      Suite 130

5   Dallas, Texas 75234

6

      FOR THE DEFENDANT BETTER BUSINESS BUREAU OF

7   METROPOLITAN DALLAS, INC.:

      Mr. David C. Myers

8   JACKSON WALKER, L.L.P.

      901 Main Street

9   Suite 6000

      Dallas, Texas 75202

10

11

ALSO PRESENT: Thad Strobach, Videographer

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1 PROCEEDINGS

2 THE VIDEOGRAPHER: This is the beginning

3 of Tape 1 in the deposition of Tim Darnell. Today is

4 the 10th of January 2006. On the record, 9:27 a.m.

5 THE REPORTER: Mr. Darnell, could I get

6 you to raise your right hand, please.

7 THE WITNESS: (Complies.)

8 THE REPORTER: Do you solemnly swear that

9 the testimony you give here today will be the truth,

10 the whole truth and nothing but the truth so help you

11 God?

12 THE WITNESS: I do.

13 THE REPORTER: Any agreements? By the

14 Rules?

15 MR. MYERS: By the Rules.

16 MR. CIAROCHI: By the Rules.

17 MR. MYERS: Can we agree to use an

18 unsigned copy at trial or hearing?

19 MR. CIAROCHI: That's fine.

20 MR. MYERS: Okay.

21 TIMOTHY DARNELL,

22 having been first duly sworn, testified as follows:

23 EXAMINATION

24 BY MR. MYERS:

25 Q. Would you state your name, please.

1 A. My name is Timothy Spencer Darnell.

2 Q. What is your business address?

3 A. 1513 Home Park Drive, Allen, Texas 75002.

4 Q. Is that the same as your home address?

5 A. Yes. Uh-huh.

6 Q. What is your Social Security number?

7 A. .

8 Q. Do you know your Texas driver's license

9 number --

10 A. I do.

11 Q. -- off the top of your head?

12 Can you give --

13 A. 077 -- wait a minute. . No, that's

14 not right. . Excuse me.

15 Q. What is your current occupation?

16 A. I own Advantage Conferences. I'm a business

17 owner.

18 Q. How long have you owned Advantage Conferences?

19 A. We chartered in June of 2003.

20 Q. What do you mean when you say you chartered in

21 June 2003?

22 A. The LLC was formed in June of 2003.

23 Q. Are there any other owners of the LLC other

24 than yourself?

25 A. No, I'm the sole owner.



1 Q. Is that a Texas LLC?

2 A. Yes, it is.

3 Q. All right. Is there an LLC agreement, a  
4 written agreement?

5 A. Yes. Uh-huh.

6 Q. All right. Have you ever had your deposition  
7 taken before?

8 A. No.

9 Q. So this is your first time?

10 A. Yes.

11 Q. All right. Do you understand that you are  
12 here today testifying under oath just as if you were in  
13 court testifying before --

14 A. Absolutely.

15 Q. -- a judge and jury?

16 A. Yes.

17 Q. All right. Can we have an agreement that --  
18 sometimes I'm going to hesitate, but can you -- I'm  
19 going to let you finish all your answers before I ask  
20 another question -- or at least I'm going to do my best  
21 not to interrupt you. Can you agree to let me finish  
22 my questions before you give an answer?

23 A. Absolutely.

24 Q. Okay. If at any time you need a break, let us  
25 know, as long as there is no question pending. Is that

8

1 okay?

2 A. Great.

3 Q. Okay. Would you tell us, if you would, your  
4 formal education.

5 A. I'm a graduate of Texas Tech University, 1980.  
6 Magna cum laude in sociology; minor in psychology.  
7 That's a BA, so...

8 Q. Okay. Other than Advantage Conferences, are  
9 you involved in any other businesses right now?

10 A. I'm also a singer, and I also have a brand new  
11 foundation that we minister with.

12 Q. What was the name of the foundation?

13 A. Treasures for the Kingdom Foundation.

14 Q. And you mentioned that you were a singer. Are  
15 you part of a band or you just sing?

16 A. Yeah. Well, both. I have a group called  
17 Dreamer. We have been together -- February of '82.  
18 What would that make it, about 24 years, 23 years? And  
19 I also do a lot of solo work as well.

20 Q. What do you mean by "solo work"?

21 A. Christian solo singing, performance.

22 Q. Oh, okay.

23 A. I have been a recording artist all my life as

24 well.

25 Q. All right. So other than your work as a

9

1 recording artist or with Advantage Conferences, are you

2 involved in any other businesses right now?

3 A. No, I wouldn't call them businesses. We do a

4 lot of ministry. We have several ministries we are

5 involved with on an ongoing basis. We can talk about

6 that if you want to or not.

7 Q. No, I'm -- I'm more asking you about

8 businesses that where you would earn income. So other

9 than your recording artist and Advantage Conferences,

10 those are the ways you earn income right now?

11 A. That's correct. And I -- I will start

12 speaking. I have a new book coming out and so I will

13 begin speaking very shortly, and that will provide

14 income, too, I'm sure.

15 Q. All right. Is that -- do you have a business

16 entity through which you are doing that or is that just

17 Tim Darnell, individually?

18 A. No, it probably will be one of two things.

19 Portfolio Marketing Group is another LLC that I own,

20 and a small sole proprietorship that I own is Rhino  
21 Nation Publishing, but that has not been very active  
22 until this point.  
23 Q. Portfolio Marketing Group, is that an LLC?  
24 A. Yes, it is.  
25 Q. When was it chartered?

10

1 A. 1998. I'm not certain of that. I think 1998.  
2 Q. Okay. What is -- what is the business of  
3 Portfolio Marketing Group?  
4 A. What we did originally, we were reps for other  
5 companies. We were sales reps for other companies with  
6 Portfolio Marketing Group. And now that I own  
7 Advantage Conferences it is not nearly used as much.  
8 We will use it for some tool production. Any training  
9 that I put together that we sell, we will do it through  
10 that entity.  
11 Q. Okay. When you say that Portfolio  
12 Marketing -- were you the sole owner of Portfolio  
13 Marketing?  
14 A. LLC. It was two members. It was 99 percent  
15 me; 1 percent my father.  
16 Q. What is your father's name?  
17 A. Dr. David Darnell.

18 Q. Is there a written LLC agreement for --  
19 A. Yes.  
20 Q. -- Portfolio Marketing Group?  
21 A. Yes, there is.  
22 Q. All right. And when you say you were  
23 originally the sales reps for other companies, what  
24 other companies was Portfolio Marketing Group a sales  
25 rep?

11

1 A. We repped for a company called Travel Dynamics  
2 who changed their name to Tru Dynamics, T-r-u, with no  
3 E, Dynamics.  
4 Q. And what did -- what was -- what did you --  
5 product did you sell through --  
6 A. They sold very similar to Advantage  
7 Conferences. It was educational conferences.  
8 Q. Who were -- who was the -- who owned Travel  
9 Dynamics and later Tru Dynamics?  
10 A. A gentleman named Jim Piccolo.  
11 Q. How do you spell that?  
12 A. P-i-c-c-o-l-o.  
13 Q. Where does he live?  
14 A. He is in Scottsdale, Arizona.  
15 Q. Is Travel Dynamics or Tru Dynamics, as it was

16 later known, still around?

17 A. No.

18 Q. What happened to it, do you know?

19 A. I -- you know, I really don't. We left --

20 they changed the compensation plan three times on us

21 which is very devastating to a marketer, and we

22 determined that we could not -- it was just not

23 acceptable.

24 Q. Okay. What was the -- what was the

25 compensation plan that was changed three times by Tru

12

1 Dynamics?

2 A. They went from a direct sales model to a

3 multilevel marketing model and then back to the direct

4 sales model, which without going into a lengthy

5 explanation, the implications are huge. It totally

6 changes your marketing. It changes the way you are

7 paid. Not good.

8 Q. And you said you were -- Rhino Nation

9 Publishing, that is another one of your businesses?

10 A. Uh-huh. Yeah. It's not -- it is nothing to

11 speak of. The intent of it is for recordings, musical

12 recordings. I had thoughts about publishing other

13 people's materials also, but we just haven't had time

14 to involve ourself with that.

15 Q. When did the -- when did Portfolio Marketing  
16 Group, LLC sort of change its focus from being the  
17 sales rep for Travel Dynamics to what you had testified  
18 about regarding the vehicle through which you sold  
19 tools and training for Advantage Conferences? When did  
20 that happen?

21 A. Well, it really basically became dormant due  
22 to the fact that I was not marketing for Travel  
23 Dynamics or Tru Dynamics, and so we just used it for  
24 odds and ends. If I ever sold a tape packet or  
25 whatever, we could use that entity at the time.

13

1 But we determined to go into Advantage  
2 Conferences in 2003 and start an entirely new concept,  
3 new business. Portfolio Marketing Group was not  
4 appropriate. It wasn't the appropriate name for  
5 that -- you know, for what we are doing now for  
6 Advantage Conferences, so we just wanted to start  
7 afresh on that.

8 Q. Okay. Give me sort of the time frame where  
9 Portfolio Marketing Group was dormant, from when to  
10 when.

11 A. We left Travel Dynamics in 2001. I'm not sure

12 of the exact -- I think it was right at the beginning  
13 of 2001, and so we really weren't doing anything with  
14 that at that time.

15 Q. Okay. So would it be fair to say Portfolio  
16 Marketing Group became dormant sometime in 2001 until  
17 when?

18 A. We have used it off and on. I mean, but it  
19 has just been a variety -- it has just been small -- I  
20 think I have just a limited number of dollars in that  
21 account right now. It is not a -- it is not a very  
22 used account.

23 Now what I'm leaving out here is in 2001  
24 we went to All Star Entrepreneur. I formed my own  
25 company called All Star Entrepreneur.

14

1 Q. I was going to ask you about that.

2 A. Yeah. And I was with partners in that  
3 enterprise. In fact, we formed that in September of  
4 2001.

5 Q. All right. During -- all right. Let me --  
6 now that you have mentioned it, let me ask you about  
7 that. You formed or were -- or participated in forming  
8 All Star Entrepreneur in September of 2001; is that  
9 right?



10 A. Correct.

11 Q. Who was involved in forming All Star

12 Entrepreneur with you?

13 A. I had three partners. One was Eli Dafesh.

14 That's D-a-f-e-s-h. Claudia Cawley, C-a-w-l-e-y, and

15 Elizabeth Knudson, K-n-u-d-s-o-n.

16 Q. What was the -- was that an LLC?

17 A. Yes. Uh-huh.

18 Q. Was All Star Entrepreneur when you formed it

19 in September 2001 a Texas LLC?

20 A. Yes.

21 Q. Is it currently a Texas LLC, do you know?

22 A. I think it's a -- you know, I may be wrong on

23 that. It may have formed as an Arizona LLC and became

24 a Texas LLC. I am blanking on how that went.

25 Q. Do you still have copies of the LLC

15

1 agreements?

2 A. Yes, yes.

3 Q. What was the business of All Star

4 Entrepreneurs when it was formed in September 2001?

5 A. Educational conferences. Same -- same thing.

6 Q. Same thing as Advantage Conferences?

7 A. Yeah. Well, same thing -- similar to

8 Advantage Conferences. We have tweaked all of that  
9 since. But in essence, yes, educational conferences.  
10 Our focus is different at this point, and I can talk  
11 about that later if need be.

12 Q. Yeah. How is the focus different, briefly,  
13 right now?

14 A. What we did before, we would hire known  
15 speakers. Martin Victor Hanson, Sandy Botkin, Jeffrey  
16 Combs, people -- Bob Proctor was a great speaker.  
17 Really, really good speakers. But the problem with  
18 that, in my opinion, is that they really deliver good  
19 at the conferences -- goods at the conferences, but  
20 they are not unique to Advantage Conferences.  
21 Virtually anybody can hire them. And so we decided not  
22 to do that. With Advantage Conferences, what we do  
23 here, is we find little known, obscure millionaires,  
24 and their job is to give their best advice, their past  
25 history, their success story, their failures. Anything

16

1 appropriate that would help a new entrepreneur that is  
2 just coming out of the corporate world or struggling  
3 with their business. Things that would help them get  
4 to the point where these millionaires are.

5 Q. All right. Is -- and I don't want to -- I'm

6 not trying to minimize it or anything, but the business  
7 of All Star Entrepreneurs and Advantage Conferences  
8 essentially is the same in that they are both -- give  
9 educational conferences, correct?

10 A. Correct, correct.

11 Q. And one of the differences at least is -- and  
12 I understand that you said you have tweaked things.  
13 But one of the differences is with respect to All Star  
14 Entrepreneurs, it hired speakers at the conferences  
15 that were available to any -- that anyone could hire.

16 A. Yes.

17 Q. Okay. And one -- so -- but Advantage  
18 Conferences hires less-known or little-known speakers  
19 to give their own stories.

20 A. Yes. It is more common individuals. They  
21 are -- what we call them is middle-class millionaires,  
22 if you could put that terminology together. They are  
23 people just like the common Joe out there. You would  
24 never know it, them walking down this hall, that they  
25 were millionaires, and yet they have achieved

1 tremendous success in their life. And the principles  
2 that they espouse and teach on -- we do a lot of Q and  
3 A in those sessions -- are very profound principles

4 that most people are not aware of. The difference in  
5 entrepreneurial thinking versus -- and wealth thinking  
6 versus corporate thinking and employee minded is -- it  
7 is not only different, it is 180 degrees different. It  
8 is very different. And so people making that switch,  
9 the main thing they are going to struggle with is their  
10 thinking. It's -- it's more the issue than anything  
11 else.

12 Q. Was the compensation plan of All Star  
13 Entrepreneurs similar to the compensation plan of  
14 Advantage Conferences?

15 A. There are some similarities, yes.

16 Q. Did -- did All Star Entrepreneur use the --  
17 the reverse margin phrase in its marketing?

18 A. Yes, and that's my phrase. I have got that  
19 trademarked.

20 Q. When you say that is my phrase, you mean you,  
21 individually, Tim Darnell?

22 A. Yes. Uh-huh.

23 Q. I will come back and ask you about that. Did  
24 All Star -- does All Star Entrepreneur back in 2001  
25 also use Millionaire Mindset Conference?

1 A. Yes.

2 Q. All right. What was the -- with regard to All  
3 Star Entrepreneur, you were -- originally in September  
4 2001 were you the president?

5 A. Yes.

6 Q. How long did you remain president of All Star  
7 Entrepreneur, LLC?

8 A. Until June 2003. I resigned in June of 2003.

9 Q. Why did you resign?

10 A. Oh, we got all day?

11 Q. No, we don't, but...

12 A. Partner issues. Partner issues.

13 Q. All right. Give me a couple of the partner  
14 issues, just briefly.

15 A. Embezzlement, collusion. I was a lame-duck  
16 president after we brought in a -- a partner. We  
17 decided to bring in a partner. The guy said he had  
18 paid and amazingly had not paid. The way he was going  
19 to pay for his share in the partnership was to pay a  
20 debt at a hotel that we had outstanding. And he had  
21 assured us for about four or five months that he had  
22 taken care it. And one day I get a notice that he had  
23 not taken care of it.

24 Q. Okay. Who -- who is that partner?

25 A. Glenn Green from Houston, Texas.

1 Q. What is -- is All Star Entrepreneur, LLC still  
2 in business?

3 A. That we can tell, yes. I -- according to the  
4 secretary of state it is still posted. I have no  
5 conversation with any of those people at all.

6 Q. Other than, you know, its status with the  
7 secretary of state, do you have any information about  
8 anything that All Star Entrepreneur is currently --

9 A. I'm not --

10 Q. Hold on.

11 A. I'm sorry.

12 Q. -- is currently doing?

13 A. I have no information, no.

14 Q. Now, when -- when you spoke with Chris Burgess  
15 with the Better Business Bureau back in October of  
16 2005, did you tell him that you thought -- or did you  
17 tell him that All Star Entrepreneur was out of  
18 business?

19 A. I said I thought they were.

20 Q. And why did you think that All Star  
21 Entrepreneur was out of business at that time?

22 A. Because we have not heard a thing about them.  
23 And normally they would be competitors to my business,  
24 and normally you hear about competition.

25           We have the same situation with Jim

20

1   Piccolo. He has a company called Nuevo Riche, is what

2   he went to from -- apparently went to from Tru

3   Dynamics. I don't know if they are still in business.

4   We just don't hear about them, we don't hear.

5   Q. How would you hear about your competition?

6   A. Just the -- for instance, prospects,

7   candidates that come to our business normally have

8   surveyed the landscape of various companies out there

9   that are similar to us, and we hear -- we hear about

10   that in our conversations.

11           We do a presidential interview with each

12   of our candidates that come in. They have got to pass

13   that to get involved in our business as a rep. And

14   sometimes those companies that they have looked at that

15   are our competitors, those names will come out. I did

16   12 this morning, and I saw the names of two different

17   competitors on three different occasions in those

18   particular president's interviews. I don't hear about

19   All Star. I don't hear about Nuevo Riche.

20   Q. Since you started Advantage Conferences, LLC

21   had you ever -- have you ever heard of All Star from

22   candidates?

- 23 A. Yes.
- 24 Q. When would that have been?
- 25 A. Yes. More in the beginning, of course.

21

- 1 Because when I first changed, I resigned and
- 2 immediately opened Advantage Conferences so we heard --
- 3 these were all my reps. They were my friends, they
- 4 were people I had worked with extensively, and so I
- 5 would hear from them on an ongoing basis.
- 6 Q. Did you have -- did you have people come with
- 7 you from All Star --
- 8 A. Yes, I did.
- 9 Q. -- into Advantage Conferences?
- 10 A. Yes.
- 11 Q. Who was that?
- 12 A. I had approximately 20. The biggest producer
- 13 being Jim Wald.
- 14 Q. Who else?
- 15 A. Jerry Klovee, K-l-o-v-e-e.
- 16 Q. Is he still with Advantage Conferences?
- 17 A. Yes, he is. Dan Hagen, I think e-n. Yes,
- 18 H-a-g-e-n. Jack Butler. You need more?
- 19 Q. Yeah, give me a few more.
- 20 A. That are still with Advantage?



21 Q. Yeah, that were with you at All Star.  
22 A. Okay. But are still with me right now or just  
23 made the transition?  
24 Q. Just made the transition.  
25 A. Peggy Ochs, O-c-h-s. Mitch Butler. Glenn

22

1 Barton. That's all I recall.  
2 Q. Well, we may ask you about it if you think of  
3 somebody.  
4 A. Okay.  
5 Q. All right. Would it be fair to say that in  
6 the last year or so, in that time frame, you haven't  
7 heard anything about All Star Entrepreneur?  
8 A. In what time frame?  
9 Q. In the last year.  
10 A. No, I would say more like probably four months  
11 I would say I haven't heard anything, and that would  
12 lead me to believe they might be out of business.  
13 Q. Now when -- how did you get -- how did you get  
14 hooked up with Eli Dafesh, Claudia Cawley and Elizabeth  
15 Knudson?  
16 A. All four were involved with Tru Dynamics.  
17 Q. And they were on the Tru Dynamics side or  
18 Portfolio Marketing Group side?

19 A. The Tru Dynamics side. They were all top  
20 producers, very -- very astute individuals  
21 marketing-wise.

22 Q. And Tru Dynamics also, its business was  
23 educational conferences as well, right?

24 A. Yes. Uh-huh.

25 Q. All right. How did -- how did you find Tru

23

1 Dynamics? Did you find it on the Internet?

2 A. No. We had a -- a friend of mine called me  
3 and said it was a great company, that I ought to take a  
4 look at it. They had a great product, good potential  
5 for income. And that's what I was doing at the time,  
6 independent repping. So I took a look at it and liked  
7 what I saw.

8 Q. When you say you were doing independent  
9 repping, that was through Portfolio Marketing Group?

10 A. Yes, that was the entity that I -- I would rep  
11 through.

12 Q. Okay. And who else other than Tru Dynamics  
13 were you an independent rep for?

14 A. We had a brief run with -- with a company  
15 called Nu Skin, a company called Global Prosperity for  
16 a brief period of time. But I really -- I really did

17 not like their product.

18 Q. What was their product?

19 A. They did educational conferences as well.

20 Nu Skin was more consumables, makeup, nutrition.

21 Q. Who else did you -- when was -- you said you

22 formed Portfolio Marketing in 1998; is that right?

23 A. Uh-huh.

24 Q. Yes?

25 A. Yes. Sorry.

24

1 Q. Who else did you rep for through Portfolio

2 Marketing Group?

3 A. I repped for a -- a -- briefly for a

4 nutritional company. I'm trying to think of the name

5 of it. They had spray vitamins. Out of -- I want to

6 say Phoenix. I think it is Phoenix. I can't remember

7 the name of them.

8 Q. All right. Prior to 1998 when you formed

9 Portfolio Marketing Group, what were you doing?

10 A. Really singing, primarily pretty full-time

11 singing. I had been involved in marketing part time,

12 but my main emphasis and main income was derived from

13 singing.

14 Q. With the Dreamers?

15 A. Uh-huh. Dreamer. Yeah.

16 Q. Dreamer. I'm sorry.

17 A. That's all right. It happens all of the time.

18 Don't worry.

19 Q. All right. Were you -- have you been involved

20 in any other network marketing or multilevel marketing

21 or direct sales companies other than Nu Skin, Global

22 Prosperity, Tru Dynamics?

23 A. '92 through '98 I repped for Amway.

24 Q. And what happened there? Why did you stop

25 that?

25

1 A. Terrible compensation plan. Horrible

2 compensation plan. Just an undoable situation. Their

3 saturation in the marketplace, et cetera. Good people,

4 good training, but very difficult to make money.

5 Q. Okay. You were -- you were -- but you were a

6 rep for six years?

7 A. Uh-huh.

8 Q. Yes?

9 A. Yes. I'm sorry.

10 Q. That's another thing, you need to answer out

11 loud so the court reporter can take down what the

12 answer is.

13 A. Okay. All right.

14 Q. And what level did you get in Amway?

15 A. I got to the direct level which is 7500 points

16 for six months. It's about 15,000 volume per month for

17 six months.

18 Q. Prior to 1992 what were you doing?

19 A. I had a few multilevel -- before that was '87

20 to '92 was NSA, National Safety Associates.

21 Q. National Safety Associates?

22 A. Uh-huh. NSA out of Memphis, Tennessee.

23 Q. And what did -- what does that company do?

24 A. They did water filtration and air filtration.

25 Today they are doing more nutritional. A product

26

1 called Juice Plus.

2 Q. And you were a rep for --

3 A. Just a rep, yes.

4 Q. And that's -- National Safety and Amway direct

5 selling?

6 A. Yes. Uh-huh.

7 Q. But those -- do all of these companies involve

8 recruiting other individuals into the business?

9 A. They can, yes. Uh-huh.

10 Q. All right. Are there any other -- let me --

11 I'm going to ask you some questions about Advantage

12 Conferences.

13 Are there any officers or directors of

14 Advantage Conferences?

15 A. I'm the sole officer.

16 Q. You're it?

17 A. I'm it.

18 Q. Okay.

19 A. After my partnership debacle I -- never again.

20 Q. All right. Are there any other -- well, are

21 there any employees of Advantage Conferences?

22 A. Yes.

23 Q. How many employees?

24 A. We have right now -- I have got three

25 employees and I have got several independent

27

1 contractors that I pay on a regular basis.

2 Q. Who are the employees?

3 A. Laura Porter.

4 Q. What is her position?

5 A. Administrative secretary.

6 Q. Okay.

7 A. Rosalind Felty, F-e-l-t-y, I think.

8 Q. What is her position?

9 A. She is data and receptionist.

10 Q. And the third?

11 A. Chris Reid, R-e-i-d. He is the director of

12 the Fundraising Advantage.

13 Q. Is that a separate company?

14 A. No, it's just a division within Advantage

15 Conferences.

16 Q. Okay. Do you have any management positions

17 with Advantage Conferences that you aren't -- I mean,

18 that is not you, somebody else?

19 A. No.

20 Q. All right. Do you have like a sales director

21 or a training director or anything like that?

22 A. For a while we had -- Jim Wald was acting as

23 national training director.

24 Q. When you say for a while, what --

25 A. For '05.

28

1 Q. And is he no longer national training

2 director?

3 A. He really didn't want to do it. It was

4 demanding too much of his time, and it was taking away

5 from his marketing. Plus, we have got our training

6 automated now. It is all online.

7 Q. Did you ever have a national sales director?

8 A. No.

9 Q. And is Jim Wald one of the persons that came

10 with you from All Star Entrepreneur?

11 A. Yes, he is. He has been a very faithful,

12 loyal rep with me for a long time.

13 Q. Was he in any of these other businesses with

14 you, Mr. Wald?

15 A. No.

16 Q. Just All Star?

17 A. Just All Star, correct.

18 Q. Was Advantage Conferences offering any

19 products or services in February of 1999?

20 A. No.

21 Q. And when did Advantage Conferences begin to

22 offer products or services?

23 A. June -- June of 2003.

24 Q. All right. Has Advantage Conferences ever

25 offered any products or services in the area of

1 administration of employee compensation plans?

2 A. A product like that?

3 Q. Yeah. A product or service in the area of

4 administration of employee compensation plans.



5 A. No. We teach on that. It is part of some of  
6 our training, but it is not a specific product. I  
7 personally teach on how to discern what is a good  
8 compensation plan and what is a bad compensation plan;  
9 what is a legal compensation plan and what is an  
10 illegal compensation plan.

11 Q. But Advantage Conferences itself -- I mean,  
12 that is just part of it. But you wouldn't describe  
13 Advantage Conferences' business as that.

14 A. No, I would not.

15 Q. Other than this lawsuit is Advantage  
16 Conferences involved in any other lawsuits?

17 A. No.

18 Q. Have any lawsuits been threatened against it?

19 A. No. We have not even had -- we have had one  
20 complaint with Advantage Conferences.

21 Q. Okay. What complaint is that?

22 A. We had a Rob Gandley --

23 Q. Rob or Rod?

24 A. Robert Gandley.

25 Q. Rob Gandley?

1 A. Uh-huh.

2 Q. And what was that complaint?

3 A. We just got that about two weeks ago. He felt  
4 like his marketing efforts were not being compensated  
5 like he would like to see it done.

6 Q. Is that resolved?

7 A. Yes, it is.

8 Q. And how did that resolve itself?

9 A. We came to an agreement. We came to a -- a  
10 negotiation basically. It was pretty quick. I picked  
11 up the phone and called him. He didn't bother to call  
12 me, but he realizes he should have called me. All you  
13 got to do is call me and I will be glad to...

14 Q. And what was the agreement?

15 A. The agreement was to take him to a different  
16 conference level. He came in at MMC-IV, and he wanted  
17 to go back to MMC-I, which we allowed that to happen.

18 Q. Has Advantage Conferences applied for any  
19 trademarks --

20 A. Yes.

21 Q. -- state or federal?

22 A. Yes, we have applied for Millionaire Mindset  
23 Conference and the Fundraising Advantage.

24 Q. When did you apply for Millionaire Mindset  
25 Conference?

1 A. We started that process back in -- I want to  
2 say as early as August we contacted the attorney -- not  
3 this attorney, another attorney.

4 Q. Advantage Conferences contacted its attorney  
5 to start the process for applying for Millionaire  
6 Mindset Conference and Fundraising Advantage?

7 A. And the Fundraising Advantage, yes. We were  
8 originally going to do the Millionaire Mindset  
9 Conference Income Producing System and decided at that  
10 time not to do it.

11 Q. Why did you decide not to do that?

12 A. Because we discontinued using that  
13 terminology.

14 Q. I mean, why did you discontinue using that  
15 terminology?

16 A. It was too -- it was way too long. I couldn't  
17 even remember it.

18 Q. It is pretty long.

19 So Millionaire Mindset Conference Income  
20 Producing System you have discontinued using?

21 A. Yes.

22 Q. And did you ever apply for a trademark for  
23 Millionaire Mindset Conference Income Producing System?

24 A. No.

25 Q. Millionaire Mindset Conference or Conferences?

1 Is it plural or singular?

2 A. Plural, yes.

3 Q. Okay. So --

4 A. No, I'm sorry. I'm sorry. That is not true.

5 It is singular. Millionaire Mindset Conference.

6 Q. All right.

7 A. Advantage Conferences is plural.

8 Q. Okay. So let me see if I have got it right.

9 A. Okay.

10 Q. Advantage Conferences, LLC --

11 A. Yes.

12 Q. -- has applied for a trademark for Millionaire

13 Mindset Conference.

14 A. Correct.

15 Q. Okay. Do you know when that application was  
16 filed?

17 A. We sent -- I sent it to my attorney, oh, boy,  
18 I guess two months ago, and he is handling it right  
19 now. I don't know when he did that or, you know, the  
20 particulars on that.

21 Q. Okay. And do you know if that application is  
22 a state or federal application?

23 A. Federal.

24 Q. And when did Advantage Conferences, LLC first  
25 use the phrase Millionaire Mindset Conference?

33

1 A. We started using that in December of '04 --  
2 the end of December of '04, that I recall. I may -- I  
3 need to research that to be sure about that.

4 Q. But as you sit here today, your best  
5 recollection is December of '04?

6 A. Yes. Uh-huh. We -- we had termed -- Bridge  
7 To The Future was what we were using before that and  
8 determined that was not -- it was not a good enough  
9 mark.

10 Q. Okay. And then has Advantage Conferences,  
11 LLC, does it own or has it applied for a trademark for  
12 reverse margin?

13 A. I have that personally.

14 Q. Okay.

15 A. Yeah.

16 Q. Are you aware of any use of Millionaire  
17 Mindset Conference prior to December of '04 by anybody,  
18 whether it be by Advantage Conferences or anyone else?

19 A. By All Star Entrepreneur, yes.

20 Q. And when did, to the best of your knowledge,  
21 All Star Entrepreneur begin using Millionaire Mindset

22 Conference?

23 A. We started -- I mean, we knew we were going to

24 call it that, and we had our first one slated for I

25 think it was September 13th, 2001. Obviously that did

34

1 not happen.

2 Q. But prior to September 13 of 2001, at least it

3 had been marketed or advertised and so the phrase would

4 have been used prior to that --

5 A. Yes, yes.

6 Q. -- correct?

7 A. Yes.

8 Q. All right. So make sure I got it right. You

9 individually own the trademark for reverse margin.

10 A. I am 90 percent sure of that. It might be

11 Portfolio Marketing Group. I think it's me.

12 Q. Okay.

13 A. I would need to --

14 Q. And Advantage Conferences has applied for

15 Millionaire Mindset Conference and the Fundraising

16 Advantage.

17 A. Correct.

18 Q. Any other trademarks that Advantage

19 Conferences, LLC has applied for or owns?

20 A. No. There is intellectual property that we  
21 are looking at right now. For instance, my book is  
22 Slay\_Your\_Giant is the name of it. And that may be one

\_\_\_\_\_  
23 we jump on pretty quickly here. We have the website  
24 which is good, but we have not applied for that mark  
25 yet.

35

1 Q. Other than the Fundraising Advantage, would it  
2 be fair to say that as of today Advantage Conferences,  
3 LLC does not own any other trademarks?

4 A. That is correct, not -- not officially.

5 Q. When you say -- what do you mean by "not  
6 officially"? I know you have applied for one.

7 A. Yeah. We have a conundrum as business owners.  
8 We have intellectual property. We have ideas and  
9 concepts. And it is important that we protect the  
10 vital ones from misuse of competitors or actual theft  
11 from competitors. And so that is what I have got to  
12 look at as a business owner, is which one of these do  
13 I -- seriously, I can't afford for somebody to go off  
14 and steal and start promoting that particular concept.  
15 So anything that falls under that domain we will have  
16 to get it trademarked. That is basically my criteria

17 is the competition.

18 Q. And -- so one of that was -- well, I guess one  
19 of those is reverse margin.

20 A. Absolutely. Now, that is my -- that is my  
21 invention, my baby. I mean, that's -- the similar form  
22 of compensation plan was out there. Nobody had named  
23 it. It didn't even have a name. It was called hybrid  
24 I think was the best thing I heard. And I felt like it  
25 was such a startlingly innovative concept that it

36

1 needed to be -- that I would go ahead and jump on that,  
2 and I did.

3 Q. Okay. So you -- you applied -- you  
4 individually applied for a trademark on reverse margin,  
5 correct?

6 A. Yes. Uh-huh.

7 Q. And are you aware of anyone else that uses  
8 that term, reverse margin?

9 A. I think that Emerald -- a company called  
10 Emerald Passport, one of our competitors, is using  
11 that. That's all I know. It is pretty well the  
12 de facto name in the industry right now. I mean, it  
13 has become the name of choice. There are no other apt  
14 names for it.



15 Q. Do you know when you applied for that

16 trademark?

17 A. I hesitate because I'll probably tell you

18 wrong. It was either -- it is possibly 2000. It might

19 have been '99 or 2000.

20 Q. And do you know whether --

21 A. I'm sorry, I can look that up.

22 Q. Okay. And prior to applying for that

23 trademark, did you do any investigation to see if

24 anyone else had been using the reverse margin phrase?

25 A. Yes, we did, we looked it up.

37

1 Q. What did you -- when you say you looked it up,

2 what did you look up?

3 A. I had our attorney look it up, and he said it

4 was available.

5 Q. Did -- were you aware then of anybody else

6 using reverse margin?

7 A. No, no. I -- nobody would have because I came

8 up with the term. I mean, it was --

9 Q. Your invention?

10 A. Totally my invention.

11 Q. And did you -- I will ask you that later.

12 Now, what is the -- how would you describe the nature

13 of All Star -- I'm sorry, start over.

14           How would you describe the nature of

15 Advantage Conferences, LLC's business?

16     A. Our business is wealth and entrepreneurial

17 education. There is an absolute absence in the

18 marketplace of helping people get from the corporate

19 world to their own business ownership; giving them

20 information that is absolutely pertinent to their

21 success. It is -- it is -- the entrepreneurship is

22 fraught with failure. The statistics are alarming.

23 More people fail than don't fail. And the reasons they

24 fail is because they are blindsided by different

25 challenges that come into the business world.

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1           For instance, in my scenario it was -- it

2 was embezzlement, it was collusion. Things I never --

3 I never thought were possible that people would

4 actually do that kind of thing. And so I was naive in

5 that business and the victim of that. And so that kind

6 of -- my sharing that information and what -- what this

7 looks like, how you can detect it, how you can avoid it

8 is -- man, if I can save one person, one person from

9 going through what I went through with All Star

10 Entrepreneur, then I will have done a tremendous

11 service.

12 Well, come to find out, every millionaire  
13 that we bring in has just horror stories of their  
14 business -- of their rise to business success, and they  
15 have had all kind of failures. And I believe it is  
16 extremely important to get that out in the open, to  
17 help people understand that. Here is what a land mine  
18 looks like. Don't step on it, avoid it.

19 Q. And you do this through these conferences?

20 A. Yes. Well, there is many things. The  
21 conference is the main product, but part and parcel to  
22 that is ongoing training that any attendee can avail  
23 themselves of, and that is weekly in the form of  
24 teleconferences.

25 Q. Now, is it -- would it be correct to say that

39

1 what Advantage Conferences does is -- is market  
2 conferences to -- to people who are -- who are trying  
3 to be entrepreneurs in different businesses?  
4 A. In any business. We -- one of my main  
5 attempts is to bring in a cross section of speakers.  
6 There will always be one that has made it in real  
7 estate, for example. There -- we have had millionaires  
8 in the insurance business. We have had millionaires

9 in -- well, for instance, we have got the -- the owner  
10 of Brighton handbags and accessories is coming in for  
11 our next one.

12 It is just a variety of different  
13 entrepreneurial endeavors. And there is a lot of  
14 commonalities between them, but they are all very  
15 unique at the same time.

16 Q. Before I forget, has -- if I didn't ask you --  
17 if I asked you this already, I apologize. But has --  
18 has Advantage Conferences been accused of violating  
19 anyone else's trademarks or property -- I'm sorry,  
20 trademarks or copyrights?

21 A. We had an issue with Liberty League  
22 International where somebody in our business had used  
23 Liberty League International in their search words in  
24 PaperClick advertising. And they sent us a notice on  
25 that. We immediately found out who that was and --

40

1 Q. Who sent a notice?

2 A. Liberty League International is the company.  
3 Their compliance department sent that out. We have a  
4 policy strictly forbidding that. And if you are aware  
5 of how PaperClick works, you put words in for search  
6 engines to find. And we have a strict policy not to

7 use another company's name, especially a competitor,

8 so...

9 Q. Is Liberty League International a competitor?

10 A. Yes.

11 Q. What's -- what's the business of Liberty

12 League International?

13 A. Same, same. They are in the conference

14 business as well. They are secular and we are faith

15 based. It is very, very different.

16 Q. Okay. Who was the -- who is the Advantage

17 Conferences rep that was involved in that?

18 A. We had -- Jack Weinzierl I believe is the one

19 they found that on. W-e-i-n-z-i-e-r-l. And he

20 immediately complied with that and immediately got it

21 off.

22 Q. All right. And you got a letter from someone?

23 A. Got a letter from them, and I just e-mailed

24 them and said it was taken care of.

25 We had one other issue, and that was one

1 of our reps did an ad stylized, "Who Wants to be a

2 Millionaire." And we got a letter from whomever that

3 was, I can't remember, Sony or somebody, that owns that

4 trademark, so...

5 Q. And you have that letter?

6 A. I don't know. Probably -- probably somewhere.

7 Q. All right. I'm going to show you what we are

8 going to mark as Exhibit 1.

9 (Exhibit No. 1 marked)

10 Q. Can you tell me what that is, please.

11 A. This is called our Getting Started E-Package.

12 This is a previous version of it from September.

13 Q. Was this the first version or is this a --

14 a --

15 A. No, this would be -- this goes through

16 renovation almost weekly on an ongoing basis.

17 Q. Okay. And do you have copies of the previous

18 versions?

19 A. Probably could find some. Yeah.

20 Q. Although Exhibit 1 is the version of September

21 '05; is that right?

22 A. Uh-huh. Yes.

23 Q. And you said it has been changed since then?

24 A. Uh-huh.

25 Q. Yes?

1 A. Yes. Sorry.

2 Q. And you can -- you can find copies of some, if

3 not all, of the previous versions?

4 A. Probably so, yes.

5 Q. And the versions since September up till now?

6 A. Oh, certainly, yes. Uh-huh.

7 Q. Okay.

8 A. The more recent versions certainly. The

9 others will take a little diligence.

10 Q. All right. I'm going -- I'm going to ask you

11 a few questions about this and I will -- I might skip

12 around, but I will direct you to where I want you to

13 look.

14 Let's, if you wouldn't mind, go to page 9

15 first.

16 A. Yes.

17 Q. Okay. Under -- on that page under the title

18 The Power of Two --

19 A. Yes.

20 Q. -- is that -- does that accurately describe

21 the Advantage Conferences compensation plan?

22 A. This talks about the referral sales that can

23 be quite lucrative. And once a person is qualified

24 they are in line for the subsequent qualifying referral

25 sales of the individuals that they bring in.

1 Q. All right. Well, let me see if -- I'm not  
2 sure that is an answer to my question, but I appreciate  
3 that.

4 But does this Power of Two accurately  
5 describe the Advantage Conferences compensation plan?

6 A. Not in whole, no.

7 Q. Okay.

8 A. No, it takes -- it takes a detailed  
9 explanation.

10 Q. Okay.

11 A. Which this Getting Started E-Package is Step 1  
12 in the 3 Simple Step process. Step 2 is a Flash  
13 version of the compensation explanation. We fully  
14 explain that.

15 Q. Okay. And was that produced in the documents  
16 that we asked for?

17 A. The Flash presentation?

18 Q. Yes.

19 MR. MYERS: Jason, I asked for that, and  
20 I specifically asked you for that last week and we  
21 never --

22 MR. CIAROCHI: Let me clarify.

23 MR. MYERS: -- got it.

24 MR. CIAROCHI: Was that part of the  
25 digital medium with the four or five CD's with the MMC?



1 THE WITNESS: No. Huh-uh. No.

2 MR. CIAROCHI: It is not in there?

3 THE WITNESS: No.

4 MR. CIAROCHI: Okay. Can we get that

5 within a day?

6 THE WITNESS: Probably. Yeah.

7 MR. MYERS: Well, it's the same issue --

8 we can do it -- let me do it on the record.

9 MR. CIAROCHI: Uh-huh.

10 MR. MYERS: And I just want to state on

11 the record that we spoke last week. I sent you a

12 letter that said that I thought documents had not been

13 produced that should have been produced. You called

14 me. I told you specifically that the PowerPoint that

15 was referred to in the e-package --

16 MR. CIAROCHI: Uh-huh.

17 MR. MYERS: -- had not been produced.

18 And you said that you would check on it. And then you

19 produced yesterday more documents which did not include

20 that PowerPoint. So I'm reserve -- just for the

21 record, I'm reserving our right to reconvene this

22 deposition when we get it. I'm not going to be put in

23 the position of having to look at that during the

24 course of the deposition and try and examine  
25 Mr. Darnell on it after not being able to review it

45

1 prior. I told you that before. That's why we  
2 continued this deposition from last Friday.  
3 MR. CIARACHI: Well, I don't think there  
4 is a real value in having a detailed discussion on the  
5 record.

6 Had I received the documents back, the  
7 video -- the videos, I could have reviewed them and  
8 made that ascertainment myself. I sent my documents to  
9 the client.

10 Is there any way that that can be  
11 transferred electronically so we can get this to  
12 opposing counsel during the lunch break?

13 THE WITNESS: Probably.

14 MR. CIARACHI: Yeah. Okay. Should we  
15 take a short break and call on that now in the hopes  
16 that we can --

17 MR. MYERS: We can call, but I'm not --  
18 I'm not -- I'm not going to do that. I'm not reviewing  
19 it over the lunch break because I may have to take more  
20 time than 45 minutes to understand it and to ask  
21 questions about it. I specifically asked for that.

22 MR. CIARACHI: I understand that, but  
23 shouldn't we just try to get it so you can at least  
24 look at it and see if you want to ask questions on it?  
25 It not trying to be obtuse.

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1 MR. MYERS: I'm going to want -- I know.  
2 I'm going to ask questions on it. And, yes, we can  
3 take a break, you can ask for it, but I'm still going  
4 to ask for time to look at it.

5 MR. CIARACHI: We understand your  
6 position. I'm just suggesting it might be smart for us  
7 to go ahead and give you a copy of it as soon as  
8 possible to see if it is something we can cure today,  
9 assuming it is not 100 pages, if it is a simple  
10 PowerPoint presentation.

11 MR. MYERS: Let's take a break and you  
12 can make your phone call.

13 THE VIDEOGRAPHER: Off the record, 10:24.

14 (Recess taken)

15 THE VIDEOGRAPHER: Back on the record at  
16 10:35 a.m.

17 Q. Okay. Aside from the -- I guess you call it  
18 the what, the Flash presentation?

19 A. Yes. Uh-huh.

20 Q. Aside from the Flash presentation, are there  
21 any other documents that describe the Advantage  
22 Conferences, LLC compensation plan in detail?  
23 A. Not for nonreps. This right here is for  
24 candidates. This is for people that are looking at  
25 Advantage Conferences as a candidate.

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1 Q. And when you say "as a candidate," what do you  
2 mean?

3 A. I mean somebody that we are reviewing and  
4 interviewing to be a candidate or to be a rep for  
5 Advantage Conferences.

6 Q. All right. Are there -- so the Flash  
7 presentation is a document that is designed to -- to  
8 explain the compensation plan to a nonrep or to one who  
9 is looking to become --

10 A. That is --

11 Q. -- a rep.

12 A. I'm sorry. Yes, that is correct. Uh-huh.

13 Q. Okay. Do you have other documents that  
14 explain or detail -- describe in detail the  
15 compensation plan for reps that reps can see?

16 A. Yes, I do. Yes. We do --

17 Q. What are those documents?

18 A. -- I do training on the compensation plan once  
19 a month with our reps on a teleconference, and we use  
20 those documents to really give them clarity in the  
21 event that they don't have it on the compensation plan.

22 Q. Okay. And those documents, I will tell you,  
23 have not been produced as part of this.

24 A. Correct.

25 Q. Okay.

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1 MR. MYERS: I'm going to need those as  
2 well, Jason.

3 MR. CIARACHI: Okay.

4 Q. Do those documents have a name? What do you  
5 call them?

6 A. They have numbers. In our system they have  
7 numbers. There is three -- three different documents  
8 that graphically show how the compensation plan is laid  
9 out.

10 Q. What are the numbers?

11 A. I really don't know. I could -- my  
12 secretary -- one of my secretaries could find them real  
13 quickly, though. It is not a big deal.

14 Q. Okay. Other than the Flash presentation, the  
15 three different documents that graphically show the

16 compensation plan, are there other documents that

17 describe the compensation plan?

18 A. No.

19 Q. Does -- all right. Go back to Exhibit 1 and

20 The Power of Two. Does the -- understanding that this

21 is not a full explanation of the compensation plan that

22 is provided here, but does -- does what is provided in

23 this paragraph, The Power of Two, accurately describe

24 at least in part the compensation plan?

25 A. It describes how qualifying sales for a

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1 maturing business as time goes on can accumulate. Like

2 any business, as your business gets bigger you will

3 make more money. It's simple. It is not -- it is no

4 big mystery.

5 Q. All right. Let me see if I understand what --

6 what this is. It says -- initially it says, As an

7 MMC-IV -- is that what y'all call it, MMC-IV?

8 A. Correct. Uh-huh.

9 Q. As an MMC-IV pro rep -- is that -- pro rep

10 stands for what?

11 A. That is the -- that indicates a qualified rep.

12 In other words, they have made their three qualifying

13 sales.

14 Q. And what is a qualifying sale?

15 A. Simply a sale of any MMC product -- I, II, III

16 or IV -- MMC-I, MMC-II, MMC-III or MMC-IV.

17 Q. All right. And what is -- what is an MMC-I?

18 A. MMC-I is a half-day conference. The cost is

19 \$1,000. Commission for an MMC-I pro rep is 50 percent,

20 \$500.

21 Q. What is an MMC-II?

22 A. MMC-II is the first full-day conference. It

23 is a \$2,000 cost. For the MMC-II pro rep commissions

24 are \$1,000, 50 percent.

25 Q. MMC -- what is an MMC-III?

50

1 A. MMC-III is the first day and a half, so that's

2 three-quarters of the conference. It is \$5,000 with a

3 50 percent commission, \$2500.

4 Q. And what is an MMC-IV?

5 A. MMC-IV is the full two-day conference. Cost

6 is 9,995. Commission is \$7,000, 70 percent.

7 Q. So the first three are 50 percent?

8 A. Uh-huh. Yes.

9 Q. And then the MMC-IV is 70 percent.

10 A. Correct.

11 Q. Does the \$7,000 commission belong to one

12 person and one person only?

13 A. That's correct. One sale, one commission.

14 Q. All right. This says, As an MMC-IV pro rep,  
15 that once you have made your three referral sales, and  
16 one of which can be your own purchase... What does  
17 that mean?

18 A. You could purchase the conference as a rep if  
19 you want to. It is not obligatory.

20 Q. Can you be an MMC-IV if you don't purchase the  
21 full conference?

22 A. You can be an MMC-IV pro rep without  
23 purchasing the conference, yes. Everybody goes through  
24 the same criteria and that is three referral sales,  
25 qualifying training sales. We call them training sales

51

1 as well.

2 Q. And what is a training sale?

3 A. For the fact that the existing pro rep helps  
4 the new person create those sales, so there is a lot of  
5 involvement with the existing pro rep, qualified pro  
6 rep.

7 Q. And then it says, you will begin cash flowing  
8 to the tune of \$7,000 per transaction. Is that right?

9 A. Subsequent transactions past that, yes.



10 Q. Okay. So that is -- so beginning on the

11 fourth --

12 A. Correct.

13 Q. -- person that you bring in -- let me start

14 over.

15 An MMC-IV pro rep, on the fourth person

16 brought into the business by that pro rep, the pro rep

17 IV begins to earn the \$7,000.

18 A. It is actually more accurate the fourth

19 conference sale, not necessarily person, because we

20 distinguish between reps and conference sale.

21 Q. Okay. It says, Each one of your new reps must

22 bring in two referral sales as well. What does that

23 mean?

24 A. For them to get qualified they have got to

25 have three total. So if they purchased, then they only

52

1 lack two more. If they haven't purchased, they have

2 got to bring in three total. But they all --

3 regardless of whether you purchase or not you have got

4 to have three total, one of which can be your own

5 purchase.

6 Q. Okay. So a person who is interested in this

7 income opportunity with Advantage Conferences has to

8 bring in what, three?

9 A. Three sales, correct.

10 Q. To begin earning the \$7,000?

11 A. They've got -- well, it depends on what level

12 they want to work at. If they want to work at the

13 MMC-I, it's three MMC-I sales. If they want to bring

14 in -- work at the MMC-II level, they bring in three

15 MMC-II sales and so forth. If they want to work at the

16 \$7,000 commission level, they bring in three MMC-IV

17 sales to be qualified.

18 Q. Okay. What does it mean when it says those

19 two pay you \$7,000 each?

20 A. Well, the training sales pay the qualified pro

21 rep, and so that it 7,000 -- there is a \$7,000

22 commission there. So that -- those referral sales will

23 pay you \$7,000 each.

24 Q. Now, who is the -- who is the -- if -- let's

25 say a person, John Smith -- I'm just using the name.

53

1 John Smith says I want to be an MMC-IV pro rep and

2 he -- and John Smith makes two referral sales at the

3 MMC-IV level --

4 A. Uh-huh.

5 Q. -- does he earn \$7,000 on each of those?

6 A. Not -- not if it is only two. He has got to  
7 make three.

8 Q. Okay. Well, he is include -- including his.

9 A. He purchased? John Smith purchased? Yes --

10 Q. Okay.

11 A. -- that's correct. The next sale that comes  
12 about he makes -- he makes \$7,000, that he personally  
13 makes.

14 Q. Well, do I -- does John Smith -- John Smith  
15 joins -- enrolls as an MMC-IV --

16 A. Uh-huh.

17 Q. -- and he enrolls two other people as an  
18 MMC-IV. Does he make 7,000 on each of those?

19 A. No.

20 Q. Who makes the 7,000 on those?

21 A. The existing pro reps. It would be John  
22 Smith's pro rep.

23 Q. So whoever is above John Smith.

24 A. Yes. But it has got to be a qualified person,  
25 not an unqualified person.

1 Q. And you're a qualified person if you are also  
2 a IV -- MMC-IV.

3 A. If you have made three sales. You are

4 qualified by virtue of three sales. It doesn't matter  
5 if you purchased it or not. You have got to have three  
6 sales, one of which can be your own.

7 Q. All right. And then you say, the progression  
8 continues indefinitely. 2, 4, 6 -- I'm sorry, there is  
9 no 6. 2, 4, 8, 16, 32, 64. What does that mean?

10 A. That means that for qualifying sales the  
11 people that come into your business -- that you  
12 personally bring into the business have to bring in  
13 three sales each. You are the -- those training sales.  
14 You are the existing pro rep, and you are the one that  
15 is paid on that. That gives you tremendous reason to  
16 help the people that you brought in the business. You  
17 have incentive. You have cash incentive to help your  
18 people get qualified.

19 Q. Is the reason -- all right. Let's say John  
20 Smith again. John Smith brings in two people who also  
21 then bring in two people. Does John Smith get anything  
22 on the two that his -- the two people that he enrolled,  
23 does John Smith get \$7,000 from those?

24 A. No, no. The existing pro rep makes the money  
25 on all qualifying training sales, those referral sales,

1 however you want to nomenclate that. The existing pro

2 rep is the one that gets paid one sale, one commission.

3 It goes to one person.

4 Q. All right.

5 A. You earn your right to be there by virtue of

6 your having qualified and then subsequently making

7 subsequent sales.

8 Q. Okay. How does John Smith earn the 245,000

9 that you are talking about?

10 A. Okay. If he brings in -- let's say that he is

11 qualified. He made the purchase. He brings in two

12 qualifiers. The next person he brings in is \$7,000.

13 That person wants to get qualified as well, so they

14 bring in two sales. John Smith makes the money on all

15 of those, this person and this person. These people,

16 the existing pro rep for these two people is still John

17 Smith. This guy right here is not qualified. These

18 people bring in two sales, and so it is -- that is

19 four. Now, it won't happen every time but it's -- you

20 know, in a good repship it will. And so two becomes

21 four. These four -- the existing pro rep is John Smith

22 and John Smith alone, nobody else is. And so he is the

23 recipient of all that growth that occurs on all

24 qualifying sales from here on. In a maturing business

25 that is significant. That can be very large money.

1 Q. Okay. Is -- is the focus of the pro rep's  
2 business to introduce as many people as possible to the  
3 income opportunity?

4 A. You do two things. You have got the product  
5 and you have got the income opportunity. With our  
6 Fundraising Advantage it is strictly product. It is  
7 only product. As our business at Advantage Conferences  
8 matures that will be -- by far the greatest number of  
9 attendees will be nonreps.

10 Our strategy for the first year was to  
11 populate with as many reps as we possibly could so that  
12 we would have leverage to reach as many charitable  
13 organizations and churches that we possibly can with  
14 our information. This is all Christian based, every  
15 bit of it Christian based. We start out with worship  
16 service. Very clearly Christian, not -- no bones about  
17 that.

18 Q. I'm not asking you about the Fundraising  
19 Advantage right now. Is it the focus of the pro rep  
20 to introduce as many people as possible to the income  
21 opportunity?

22 A. The focus is to create volume. And so if you  
23 create volume with bringing one person to the business  
24 and earning money from their qualifying sales, that's

25 fine. But you personally only have to bring in three

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1 maximum and you can have an opportunity to make

2 substantial money.

3 Q. And that's because those people may create the

4 volume, the ones that you enroll?

5 A. Yes, the qualifying sales, training sales.

6 And so it doesn't require an army. This is one of our

7 major breakthroughs that we created here. And the

8 reason it is so doable and more ethical for the common

9 person is that they don't have to bring in armies of

10 people.

11 In all of the other programs that are out

12 there you have to bring in. You have to focus on --

13 all the Mary Kays, the -- name a plan. You have got to

14 have thousands of people for you to make any kind of

15 substantial money. You don't have to do that here and

16 that makes it a more doable, realistic, ethical income

17 opportunity.

18 Q. Why does that make it more ethical?

19 A. Well, for you to make money -- in all of the

20 other programs if you have to have thousands of people

21 in your organization, I know statistically that you are

22 very likely not to do that. I can prove that

23 statistically. Your odds of doing that are slim to  
24 none. And only a handful of superstars ever get that  
25 job done.

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1 With our business you can actually begin  
2 cash flowing with the third person that you bring into  
3 the business -- as soon as the third person in the  
4 business. Now that is -- that is substantially more  
5 doable than any other program out there. I will  
6 compare it to -- black and white with any other  
7 program.

8 Q. But that's if you are at the MMC-IV level.

9 A. At the MMC-I level it is more doable.

10 Q. But you are not cash flowing at \$7,000 at the  
11 MMC-I.

12 A. No, that would be 500. MMC-I is \$500.

13 Q. Right.

14 A. Whatever level. And some people, that is all  
15 they can conceive of. \$7,000 is beyond their  
16 imagination. They -- they are not going to work at  
17 that level because they have never made more than  
18 peanuts all their life, so they want to get their  
19 foot -- toes wet, put it in the water. They work at  
20 MMC-I. It happens every day.



21 Q. All right. Let me -- let me ask you this. Do  
22 you have to be an MMC-IV pro rep to earn a \$7,000  
23 commission?  
24 A. Yes, yes.  
25 Q. All right. And to be an MMC-IV pro rep does

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1 one have to pay \$9,995 and enroll two others at \$9,995?  
2 A. No.  
3 Q. How do you become a -- okay. Let me ask you  
4 this. So you can be an MMC-IV pro rep if you enroll  
5 three others at 9,995?  
6 A. That's one way to do it, yes. But the bottom  
7 line is, regardless of whether you buy it or not, you  
8 have got to have three sales. If you did buy it, that  
9 sale counts as one of your three.  
10 Q. All right. Now, in your -- in your -- okay.  
11 Can a -- if an MMC-I recruits an  
12 MMC-IV --  
13 A. Uh-huh.  
14 Q. -- what commission does the MMC-I earn?  
15 A. \$500.  
16 Q. Okay. And who gets the other?  
17 A. The existing pro rep that is at that -- at the  
18 MMC-IV level. A person that is an MMC-I can become an

19 MMC-IV pro rep by the exact same criteria that I keep  
20 harping on here and that is three referral sales. If  
21 an MMC-I makes three MMC-IV sales, boom, they are an  
22 MMC-IV.  
23 Q. But that's -- but until they become an MMC-IV  
24 there is a -- there is a splitting of the commission.  
25 A. Until they qualify as an MMC-IV pro rep.

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1 Q. Right.  
2 A. Yeah. That is pretty rare. It is normally  
3 the -- the one who makes the sale makes the commission.  
4 And I will tell you why, because MMC-I's almost always  
5 bring in MMC-I's. MMC-II's bring in lots of MMC-II's.  
6 MMC-III's bring in MMC-III's. It's a monkey see,  
7 monkey do, at the risk of being derogatory.  
8 Q. Yeah. That is a -- I mean, there is -- until  
9 you -- until one is a qualified MMC-IV there would be a  
10 splitting of commission under a -- under those  
11 certain -- the facts that I described to you.  
12 A. Correct. Uh-huh.  
13 Q. And that would be the same for MMC-II and  
14 MMC-III.  
15 A. That's correct.  
16 Q. Their portion of the commission would be a

17 little bit higher.

18 A. Yes.

19 Q. All right. Can an MMC-II earn a \$7,000

20 commission?

21 A. Certainly, by virtue of making three MMC-IV

22 referral sales, training sales.

23 Q. Same with the MMC-III.

24 A. Correct.

25 Q. All right.

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1 A. And that's a -- that's a method of choice for

2 somebody that -- that either doesn't want to attend

3 that conference or just for whatever reason. They

4 don't have the cash to do that or they feel like that

5 is not best for them, they would rather sell it, then,

6 great, fantastic.

7 Q. Okay. Can you -- can you identify any of your

8 pro reps, MMC-I's who have sold -- who have qualified

9 as a IV without attending the conference?

10 A. Without attending the conference?

11 Q. Yes.

12 A. I would have to check the records. It would

13 be -- it would be a low amount. I don't -- I don't

14 think there is many that have done that, but I would

15 have to check to make sure.

16 Q. Okay. Can you -- can you identify any  
17 MMC-II's who have qualified as an MMC-IV without  
18 attending the conference?

19 A. You are saying without purchasing the  
20 conference, is that what you are talking about?

21 Q. Yes.

22 A. Oh, okay.

23 Q. Well, let me go back to MMC-I then. Has any  
24 MMC -- can you identify any MMC-I who has qualified as  
25 an MMC-IV without purchasing the conference?

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1 A. Not off the top of my head, no.

2 Q. Okay. Same question for MMC-II. Have you --  
3 can you identify any MMC-II who has qualified as an  
4 MMC-IV without purchasing the conference?

5 A. I believe there is a Marty Martin that that  
6 has happened with. And again, I would have to check  
7 the records. That is a statistic I have never looked  
8 at.

9 Q. Okay. What about MMC-III, is there any  
10 MMC-III's who have qualified as an MMC-IV without  
11 purchasing the conference?

12 A. Yes. We just had one this week, as a matter

13 of fact. Rosa Shala. Rosa Shala I believe is what her  
14 name is.

15 Q. And let's say Rosa -- let's take Rosa Shala as  
16 an example. She has qualified as an MMC-IV by  
17 enrolling three others to -- at the 9,995 level.

18 A. She sold three conferences at MMC-IV, yes.

19 Q. Now --

20 A. And she has got a slew more coming. She is a  
21 go-getter.

22 Q. Now, the -- the -- the three that she  
23 qualified with, have they all enrolled in the program?

24 A. Yes. Uh-huh. Yeah, all -- throughout the  
25 first year it is almost all enrollees. That's our game

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1 plan, and that's the way it is devised. That's the  
2 only way to do it.

3 Q. Are you aware of anyone who has qualified as  
4 an MMC-IV that has sold three conferences to persons  
5 who weren't interested in the income opportunity, just  
6 wanted to attend the conference?

7 A. Not in the first year, it is not going to  
8 happen. Our first year of 2005 was for putting reps in  
9 the business.

10 Q. Let me ask you about the -- you have had two

11 conferences; is that right?

12 A. Uh-huh. Yes.

13 Q. One was in April of 2005?

14 A. That's correct.

15 Q. That was at the Gaylord here in Grapevine?

16 A. That is correct.

17 Q. All right. How many persons attended that

18 conference?

19 A. 30. 30.

20 Q. How many of those 30 were pro reps at some

21 level?

22 A. All 30.

23 Q. And there was another conference in

24 September --

25 A. Uh-huh.

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1 Q. -- of 2005; is that correct?

2 A. That is correct.

3 Q. And that was held at the Hyatt in Dallas?

4 A. That's correct, Hyatt Regency.

5 Q. The one downtown?

6 A. Yes.

7 Q. And how many persons attended that conference?

8 A. 92.

9 Q. And --

10 A. Give or take some now.

11 Q. Okay. I understand.

12 A. Okay.

13 Q. Might be 91 or 90, but around that number.

14 A. Yes. All were reps.

15 Q. Now, I saw somewhere -- maybe it is on the

16 enrollment form -- that you can enroll and pay 59.95.

17 A. That is the only criteria outside of going

18 through the 3 Simple Steps, passing the president's

19 interview. It is 59.95 to become a rep with Advantage

20 Conferences, sole criteria.

21 Q. And if I pay -- if one -- our hypothetical

22 John Smith pays 59.95 to become a rep, he can then

23 recruit other people to be reps; is that right?

24 A. He can -- he can -- he has the rights to

25 represent Advantage Conferences to sell our product.

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1 He also has the right to recruit reps, yes.

2 Q. Are you aware of anyone who has paid just the

3 59.95 and become an MMC-IV rep?

4 A. No.

5 Q. Are you aware of anyone who has paid any --

6 anyone who has paid just the 59.95 and not become an

7 MMC-I, II, III, or IV?

8 A. Oh, we have dozens, yes.

9 Q. Not become. How does that -- and what are  
10 they doing?

11 A. They are -- usually nothing. At 59.95 there  
12 is no commitment -- there is very little commitment.  
13 Some have -- some have made some sales but very few.

14 Q. And is there a list of those? Do you have  
15 that?

16 A. Uh-huh.

17 Q. Where is that -- where is that list?

18 THE WITNESS: Did you get those faxed to  
19 you yesterday?

20 MR. CIARACHI: Yeah.

21 I guess that's what we sent to you last  
22 night via facsimile.

23 MR. MYERS: Okay. I will look at that.

24 Q. Are you aware of anyone who is in -- who has  
25 paid the 59.95 that has earned a \$7,000 commission over

1 and over again?

2 A. No. Huh-uh. No, but I will check. It is  
3 possible.

4 Q. Now, if one can pay 59.95 -- I'm sorry --



5 yeah, 59.95, and ultimately can earn \$7,000 over and

6 over again, why would someone pay \$9,995 to do it?

7 A. That is just one less sale that they have to

8 make is one of the reasons from the compensation plan.

9 The main reason that we get from our feedback is that

10 people want to go to the conference. And that's an

11 obvious advantage of being with Advantage Conferences

12 is the content and the very product that we promote and

13 produce.

14 We don't -- we don't encourage that for

15 the fact that you get 59.95, you don't go to the

16 conference, how in the world are you going to -- you

17 have no experience of the conference yourself. That is

18 like trying to sell a Buick and never having driven a

19 Buick.

20 Q. Okay. So you don't encourage the 59.95?

21 A. Well, we actually never even ask people how

22 they are coming in when they come into the business.

23 It is up to them. There is no pressure one way or the

24 other whatsoever. I don't know what a person -- how a

25 person is coming in. I know they are coming in at

1 59.95. If they want to purchase a conference, that is

2 up to them. That's what makes me legal.

3 Q. Look at -- let me direct your attention to  
4 page 12 of Exhibit 1.

5 A. Uh-huh.

6 Q. What is the matrix position?

7 A. Matrix is a secondary bonus that we offer  
8 people. And you would have to see the -- it is just  
9 basically a grid that conference sales are put in,  
10 whether a person is a rep or not a rep, and we offer an  
11 ongoing bonus from that.

12 Q. Is that described in the Flash Point  
13 presentation?

14 A. Yes, it is. Yes, it is.

15 Q. Is that described in those three graphic --  
16 the numbered documents?

17 A. Yes, much more involved with the reverse  
18 margin though in those documents, those particular  
19 documents.

20 Q. Now, what do you mean by in this statement  
21 that it says, secure a position on the matrix. What  
22 does that mean?

23 A. We have a matrix that sales that occur under  
24 the matrix position -- this is more like a multilevel  
25 marketing setup. This is more like a Mary Kay, a

1 Beauty Control, Nu Skin, Amway, that kind of thing,  
2 that it's more of a level-based commission. It is much  
3 smaller commissions. Teeny in comparison to the 500  
4 through \$7,000 commissions of the reverse margin. But  
5 it does provide small amounts of income for the reps,  
6 and at some point in later years could be substantial.

7 Q. And what do they -- and these commissions are  
8 based on what?

9 A. Based on sales of the MMC product.

10 Q. Which is what?

11 A. The Millionaire Mindset Conference.

12 Q. All right. So -- so a rep can also earn -- I  
13 will see if I can look at those documents. This is one  
14 of the reasons I wanted them before the deposition.

15 A. I understand. It's a small commission. It is  
16 just a bonus is all it is. And one of the designs of  
17 the company -- the reason for the company is that  
18 people will stay in the business. Direct sales has --  
19 traditionally has high turnover. You want to keep as  
20 many people as you possibly can. This is an inducement  
21 to do that to an extent.

22 Q. Okay. What is the rollup that is described --

23 A. Rollup --

24 Q. -- on page 12?

25 A. Yes. What we talked about before, when the

1 existing pro rep is -- a sale occurs from one of his  
2 people that came in the business and they are at a  
3 level I, he is a level IV, he makes the difference.  
4 That's the rollup. That's considered rollup.

5 Q. All right.

6 A. So we talked about the instance where the  
7 sales are split, that's that rollup.

8 Q. So if -- if I -- if I enroll at \$9,995 for one  
9 of my qualifying sales --

10 A. Uh-huh.

11 Q. -- and then I enroll one person at \$9,995,  
12 someone -- whoever enrolled me is going to get --

13 A. Your pro rep.

14 Q. My pro rep --

15 A. Yes.

16 Q. -- is going to get that \$7,000 commission.

17 A. Yeah. On all qualifying sales. The pro rep  
18 makes all qualifying sales. Your purchase was a  
19 qualifying sale. The person you brought in was a  
20 qualifying sale.

21 Q. Okay. And if that person enrolls someone at  
22 \$9,995, my --

23 A. Your existing pro rep.

24 Q. -- my existing pro rep earns that \$7,000, too.

25 A. That is correct. Yes.

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1 Q. And I can't earn that until I get another line

2 going.

3 A. Qualified. You have to be qualified by virtue

4 of the three training sales. Once you have done that,

5 you are qualified for life, that's it.

6 THE VIDEOGRAPHER: Go ahead and change

7 tapes?

8 MR. MYERS: Yeah, why don't you change

9 tapes.

10 THE VIDEOGRAPHER: Off the record, 11:08.

11 (Recess taken)

12 THE VIDEOGRAPHER: This is the beginning

13 of Tape 2. Back on the record, 11:17 a.m.

14 Q. Is there an opportunity to earn residual

15 income in the compensation plan?

16 A. Yes. We have two distinct compensation plans.

17 The reverse margin is the primary plan. The secondary

18 plan is a residual bonus. It's called the forced

19 matrix.

20 Q. And the matrix is the residual opportunity; is

21 that right?

22 A. Yes. Uh-huh.

23 Q. All right. And we will look at that when we  
24 get the presentation and the other documents.

25 A. Yes, it is very simple. It's not complicated.

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1 Q. Would it -- would it be accurate to say that a  
2 pro rep has to pay some amount of money for the  
3 opportunity to earn a commission by introducing others  
4 to participate in the plan?

5 A. Yes, \$59.95. Yes.

6 Q. Okay. Do you have any requirements that the  
7 pro reps sell a certain number of conferences to  
8 nonreps?

9 A. We will starting the second year, and this is  
10 the second year. We want to do that by virtue of our  
11 Fundraising Advantage. It is a very powerful method of  
12 selling to nonreps. Again, our goals are four to one,  
13 that we have four attendees to every one rep in the  
14 audience beginning next year.

15 Q. All right. Up until this point in time you  
16 have not had any requirements to sell to nonreps?

17 A. No.

18 Q. I didn't hear you.

19 A. No, we have not. I'm sorry.

20 Q. And as I have understood what you previously  
21 said, up till now, at least in the two conferences you  
22 have had, that all of the attendees have been reps.

23 A. That is correct.

24 Q. Is the role of a pro rep as a professional  
25 inviter?

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1 A. Professional inviter is what we call it. The  
2 reason is, we have really broken new ground as far as  
3 automation on the information-giving process to a  
4 candidate, meaning that in all -- all of our  
5 competitors, what they do is, you buy a list of  
6 potential income opportunity seekers, business owners,  
7 whatever list you buy and you sit down and call them.  
8 It is a terribly fatiguing process. It's boring. It's  
9 expensive. You are looking for a needle in a haystack.  
10 19 out of 20 people you call are totally unqualified.

11 So what our system allows to happen is  
12 the qualification process without going through that.  
13 So we have really broken ground in -- in the world of  
14 marketing. It is just a different methodology. This  
15 system qualifies people out of the business. It gets  
16 the wrong ones out of here.

17 Q. I appreciate that. I'm not sure my question

18 was answered, but is the role of a pro rep to be a  
19 professional inviter?  
20 A. Yes. You invite people to the 3 Simple Steps.  
21 Q. Okay.  
22 A. And the pro rep -- now, to specifically answer  
23 your question, the pro rep also is instrumental in  
24 helping their reps that they get started get qualified.  
25 It's their -- they have a financial incentive to do it,

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1 and it is good for everybody concerned.  
2 MR. MYERS: Okay. And I will object to  
3 everything after "yes" as nonresponsive.  
4 Q. And as a professional inviter you mean to send  
5 as many people through the plan as possible.  
6 A. The 3 Simple Steps, yes.  
7 Q. Okay. And the marketing that you are talk  
8 about -- that you talk about that you have -- you know,  
9 as opposed to your competitors who give you a list and  
10 you have to call, your marketing is Internet marketing.  
11 A. It is. It is much more automated. It can be  
12 acquired totally over the Internet. We just rely on  
13 that almost 100 percent.  
14 Q. Would you agree that most of Advantage  
15 Conferences' marketing on the Internet that can be



16 found out there at the present time is focused on the  
17 income opportunity that Advantage Conferences presents?

18 A. Yes, the first it has, and we are  
19 transitioning at this point into very serious product  
20 development so that the product gets focus for all of  
21 our upcoming advertising. The first year was designed  
22 to put reps in the business, 2005.

23 Q. Okay. And what have you done in terms of  
24 transitioning into product marketing?

25 A. The main -- I'm sorry.

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1 Q. Go ahead.

2 A. Mainly the emphasis, we have recorded all of  
3 the conferences, and so what we are doing now is going  
4 in and -- and taking some of the best sound bites, the  
5 best video clips of our speakers, of things that have  
6 occurred at the conference and that kind of thing and  
7 really embellishing the conference experience itself  
8 through our promotion. Prior to that it was pretty  
9 much the \$7,000 over and over again for our first year.

10 Q. Have you developed any Internet ads, Internet  
11 marketing that market the conference for, you know,  
12 first full day, half day, you know, first quarter of  
13 the day where that is the focus of the piece as opposed

14 to the income opportunity? Is that --

15 A. Yes. Well, not video, but radio ads. KLTY  
16 that we have -- and that's by far our most expensive  
17 promotional efforts -- we have done so far has been  
18 totally about the conference. We are switching -- we  
19 are doing sort of an about face with that and looking  
20 for reps with that versus now the Internet and our  
21 other materials are going more toward the conference.  
22 So it's a -- it's a little bit of a complex switch.

23 Q. Are those actually developed? You have  
24 copies?

25 A. Uh-huh.

75

1 Q. All right.

2 MR. MYERS: Can we --

3 THE WITNESS: Turn on KLTY right now.

4 Q. Other than the radio ad is there actually  
5 Internet stuff that is in hard copy or on the --  
6 electronic that can be printed?

7 A. No, not that you have not been privy to the  
8 whole time. It's all on that website only, so...

9 Q. All right. Let me make sure I'm -- that we  
10 are -- I understand what you are saying.

11 A. Yeah.

12 Q. You said you were transitioning into product  
13 marketing, and I want to know if there is any specific  
14 product marketing materials I can look at that show  
15 that you are marketing this conference as opposed to  
16 the income opportunity.

17 A. Well, on the website the product is talked  
18 about specifically. Now how you get people to the  
19 website, that's the difference. The difference is is  
20 that if you are looking for reps, you send them to the  
21 income page. If you are looking for conference sales  
22 only, you send them to the conference -- the product  
23 page, the conference page. And that's what we are in  
24 the midst of developing right now. It is very  
25 exciting, very -- very powerful information.

76

1 Q. Now, is there -- is the product page there  
2 now?

3 A. Yes. Uh-huh.

4 Q. How long has it been there?

5 A. The whole time. It's the embellished state  
6 that we are talking about that is the difference that  
7 you and I are discussing right now. The emphasized  
8 product page, I should say.

9 Q. Okay.

10 (Witness' cell phone rings)

11 THE WITNESS: There it is. Should I get

12 this? It's my office.

13 MR. CIAROCHI: Let's go off the record.

14 MR. MYERS: Off the record.

15 THE VIDEOGRAPHER: Off the record, 11:25.

16 (Recess taken)

17 THE VIDEOGRAPHER: Back on the record,

18 11:26.

19 Q. Has any regulatory agency, governmental

20 regulatory agency reviewed your business model and

21 approved it?

22 A. I don't know of any agencies that do that.

23 Every time I have contacted them proactively they tell

24 me they don't do that.

25 Q. So the question -- the answer would be no,

77

1 no one --

2 A. The answer is no, correct.

3 Q. Okay. Let me show you Exhibit 2.

4 (Exhibit No. 2 marked)

5 Q. Can you tell me what Exhibit 2 is, please.

6 A. Thank you. This is an example of our auto

7 response letters that go out.

8 Q. And what do you mean by auto -- what did you  
9 say?

10 A. Auto response.

11 Q. Auto response. I'm sorry.

12 A. Once a person has filled out the interest  
13 form, the initial interest form, then they can get  
14 various letters that talk about various aspects of the  
15 program.

16 Q. And we were just talking about marketing that  
17 focused -- marketing that focused on the income  
18 opportunity. This would be an example of what is on  
19 the Internet that one who is looking can find?

20 A. Yes. Uh-huh. Well, you won't find it on the  
21 website. You will find it as a result of showing your  
22 interest in Advantage Conferences to the income  
23 opportunity. This is what you would get. And all it  
24 is is an exercise in math. It is no -- it is nothing.

25 Q. Right. And on page -- it's page 2 of Exhibit

1 2, you describe again the -- The Miraculous Power of 2  
2 that we were talking about before; is that right?

3 A. Yes.

4 Q. All right. Now, has anybody -- has anybody so  
5 far earned this \$1,323,000?

6 A. No, no.

7 Q. All right.

8 A. Our top income earner is about 500,000 right

9 now.

10 Q. Who is that?

11 A. Jack Weinzierl.

12 Q. Who are the top five income earners?

13 A. That would be Jack Weinzierl, Don Goldstein,

14 Jim Wald, Carrie Rasel and David Parnell I think are

15 our top five.

16 Q. And David Parnell is your dad?

17 A. No, this is totally unrelated.

18 Q. Oh, okay. Well, your dad is David Parnell,

19 right?

20 A. He is Darnell. David Darnell.

21 Q. Oh, you said Parnell. Okay.

22 A. Yeah, Parnell.

23 Q. I'm sorry. My fault.

24 Weinzierl you said has earned about half

25 a million; is that right?

1 A. Uh-huh.

2 Q. Yes?

3 A. Yes, sir.

4 Q. Okay. Don Goldstein, what about has he  
5 earned?

6 A. I'm going to say about 230 right now.

7 Q. And Jim Wald, what --

8 A. About the same. About the same, 230.

9 Q. And what about Carrie Rasel?

10 A. Again, I'm giving you ballpark figures.

11 Q. Sure. I understand.

12 A. Carrie has earned about 56, I think, 56,000.

13 Q. And David Parnell?

14 A. I think David is probably in the 47, 48 range,  
15 I think. Laura, who you are deposing I think Friday,  
16 would know this much more clearly.

17 Q. And do you earn commissions yourself?

18 A. Do I? I'm the original marketer, yes.

19 Q. All right. And what have you earned in  
20 commissions?

21 A. I really have no idea. Laura could tell you  
22 that as well. I have done well.

23 Q. All right. Is it more than Jack Wienzierl?

24 A. I don't think so. I think Jack has got me by  
25 several hundred thousand dollars.

1 Q. Okay. Do you know what the total commissions

2 that have been paid out?

3 A. No, but I can tell you the -- the gross that

4 we did in -- in '05. I think it was 1.67 million.

5 Q. And that would be 1.67 million from persons

6 who have enrolled as pro reps?

7 A. From conference sales, from enrollment fees,

8 from website sales.

9 Q. Website sales of what?

10 A. \$495 for our personalized marketing website

11 for those who want that.

12 Q. For reps who want that?

13 A. Uh-huh.

14 Q. Okay. What other web -- are there any other

15 website sales other than the personalized website

16 marketing?

17 A. No, no. Personalized marketing website, PMW.

18 Q. I'm sorry. Personalized marketing website.

19 A. You got it.

20 Q. All right. But those are -- those are to pro

21 reps.

22 A. Yes.

23 Q. All right. And the -- I'm trying to figure

24 out what makes up the 1.67 million. You have the

25 enrollment of pro reps, you have sales for the personal



1 marketing website.

2 A. Yes.

3 Q. What else?

4 A. You have MMC sales. You have --

5 Q. Hold on a second. Let me -- MMC sales, you

6 are talking about conference sales?

7 A. Yes, Millionaire Mindset Conference.

8 Q. But none of those have been to anyone but pro

9 reps.

10 A. So far in the first year, yes.

11 Q. Okay. Anything else make up the 1.67 million?

12 A. We have the Brilliant Business Collection. It

13 is a CD collection. We have CDs of the Millionaire

14 Mindset Conference we have sold -- excuse me -- DVDs,

15 not CD, DVDs. And we have the Virtual Vault is an

16 e-book on asset protection.

17 Q. And do you have records of how much of the

18 DVDs, Virtual Vault and Brilliant Business Collection

19 that you have sold?

20 A. Yes. That is yesterday's installment.

21 Q. Okay. Now, does this Exhibit 2, does this

22 accurately describe, at least in part, the compensation

23 plan, how one can make money by another enrolling

24 others to participate in the plan?

25 A. This is only speculative math is all that is.

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1 It is just doing the -- doing the math. What you do is  
2 you show what it can be, then you work your way  
3 backwards from there and say take a small percentage of  
4 that, which is more accurate.

5 Q. Okay. And where on here does it say take the  
6 small percentage of it?

7 A. We say that in the third -- the third step of  
8 the process. On every call we always say that. I  
9 don't see it in here.

10 Q. You don't see it in Exhibit 2?

11 A. Correct.

12 (Exhibit No. 3 marked)

13 Q. Let me show you Exhibit 3. Can you tell us  
14 what that is, please.

15 A. Yes. This is the -- just a schedule of  
16 payment. The bottom part is the matrix that we talked  
17 about. That is one of the pages that you are going to  
18 get that you -- so you already have this. I didn't  
19 know you had it. And just the compensation for the  
20 matrix.

21 Q. All right. So this -- I guess at the top on  
22 the Reverse Margin Schedule it shows what the

23 commission is on the Brilliant Business Collection and  
24 the Virtual Vault and the Quarterly Teaching Series; is  
25 that right?

83

1 A. That's correct.

2 Q. All right. And do you know of anyone who is  
3 making the kind of money that you are talking about in  
4 your website that is described in Exhibits 1 and 2 just  
5 from selling the Brilliant Business Collection, the  
6 Virtual Vault and the Quarterly Teaching Series?

7 A. No. Those are -- they are very ancillary  
8 products. I mean, they are -- they are being --  
9 sales -- sales are being made, but it's not a focus at  
10 all. The focus is on the MMC, Millionaire Mindset  
11 Conference.

12 (Exhibit No. 4 marked)

13 Q. Let me show you Exhibit 4. I would like to  
14 ask you to -- if you could tell me what that is.

15 A. This is a -- this is the website as it existed  
16 in early 2005. Well, we changed this I think at the  
17 end of November. It is the one that was created in  
18 early 2005.

19 Q. Okay. What was -- what was -- this is the  
20 Advantage Conferences, LLC website?

21 A. This is the income page in that site.

22 Q. And how -- how was it changed?

23 A. I would have to have it printed, or we can

24 just pull it up.

25 Q. When did -- when did you say it was changed?

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1 A. I think we changed it mid November, late

2 November.

3 Q. Oh, let me -- let me ask you -- let me ask you

4 another question. If you would go back to Exhibit 1 --

5 A. Okay.

6 Q. -- has the -- has the -- on page 9, The Power

7 of Two, has that paragraph been changed on the website?

8 A. Yes.

9 Q. How was that changed?

10 A. Yes. Oh, just taking the -- we may have taken

11 that whole thing out of there.

12 Q. And why did you do that?

13 A. Because we don't want any -- any reason for

14 anybody to -- well, you guys pointed it out -- the

15 Better Business Bureau pointed it out to us that it was

16 problematic, so we took it out immediately, which was

17 the same thing as true with the marks.

18 Q. With the what?

19 A. With the trademarks, the SM's and TM's.  
20 Q. Those were taken out as well?  
21 A. Yes, immediately.  
22 Q. Why did you do that?  
23 A. Because Chris Burgess discussed that with us  
24 and said that it might be problematic. I said -- I  
25 called Jason. I said, Jason, do you believe that is

85

1 problematic. He called me back about two hours later  
2 and said, yes, it could be. So we took it out, and I  
3 appreciated that -- that input.

4 Q. Okay. Did you -- what investigation did you  
5 do on whether this Power of Two was problematic?

6 (Witness' cell phone rings)

7 MR. CIAROCHI: Can we go off the record  
8 again?

9 MR. MYERS: Sure.

10 (Off the record at 11:40 a.m.)

11 THE VIDEOGRAPHER: Back on the record,  
12 11:40.

13 Q. I understand that when Mr. Burgess talked  
14 with -- talked to you about the trademark, service mark  
15 indications being problematic you or Advantage  
16 Conferences went and removed those from the website; is

17 that correct?

18 A. Yes, we did. Yes, immediately.

19 Q. All right. And as I further understand it,

20 Mr. Burgess spoke with you about this paragraph, The

21 Power of Two, being problematic. And as I understand

22 it, you removed that as well.

23 A. That's correct.

24 Q. Did you remove it from all of the marketing or

25 just from the website?

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1 A. We removed it from this document, which is the

2 Getting Started E-Package. And any other reference to

3 it I -- you know, if it is problematic, we want to

4 comply. We never had any other interest than doing

5 that.

6 Q. And did you do any investigation after you

7 spoke with Mr. Burgess as to whether this was, in fact,

8 problematic like you did with the trademark and service

9 mark issue?

10 A. Not really. I just don't want to call

11 attention to anything that would cause any problem.

12 If -- if looking at numbers in a -- you know, what they

13 can do later on is problematic, then let's don't do

14 that. Let's not even do any projections whatsoever,

15 which is what we are doing now. We have no  
16 projections.

17 Q. No projections on your website?

18 A. Well, not that I know of. We don't want to --  
19 we are keeping it minimalistic and extremely  
20 conservative.

21 Q. All right. Turn to page 3 of Exhibit 4,  
22 please.

23 A. Okay.

24 Q. All right. And you talk about the exclusive,  
25 cutting edge, trademarked marketing method.

87

1 A. Uh-huh.

2 Q. What is -- what is that trademarked marketing  
3 method?

4 A. That was the mark that we were in the process  
5 of doing that I had contacted our attorney about. And  
6 so that's one of the issues that we have taken out.  
7 That is as per Chris Burgess.

8 Again, I -- can I speak to this?

9 Q. You can say what you want. I may -- I may  
10 object, but you can go ahead and say what you want.

11 A. Okay. I'm in between a rock and a hard place,  
12 especially -- I'm not a lawyer. I don't know what is

13 right and not right about trademark. I do know that I  
14 need to protect my intellectual property. And I have  
15 come up with some major point-of-departure concepts  
16 here. And so for other people to see this, my  
17 competitors to see this, they read this, they  
18 immediately implement it if we don't indicate somehow  
19 that we own it. And so that was my purpose of doing  
20 this. It was not to defraud anybody. It was not to  
21 mislead anybody. It is to keep our competitors off my  
22 stuff.

23 Q. And when you say your stuff, you are referring  
24 to your marketing method.

25 A. Yeah. You know, the 4 (sic) Simple Steps, the

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1 way we process individuals, not having to call them,  
2 not having to chase them, not having to convince them  
3 of anything. Letting the 3 Simple Steps take care of  
4 all of that. That is very -- that is very unique. It  
5 is proprietary. It's different. It is cutting edge.

6 Q. And as I understand it, you are trying to  
7 trademark that method or process right now.

8 A. No.

9 Q. I thought you said you -- you had an  
10 application.



11 A. We -- no, we didn't have an application. We  
12 are in the process I said -- is what I said. We are in  
13 the process of contacting our attorney to do the  
14 various marks. And this is one we decided not to do  
15 because I quit -- it's just a mouthful, Millionaire  
16 Mindset Conference Income Producing System,  
17 blah-blah-blah-blah-blah.

18 Q. Okay. But so what are you calling your  
19 marketing method now?

20 A. 3 Simple Steps.

21 Q. All right.

22 A. And I'm not trademarking that. It is too  
23 generic.

24 (Exhibit No. 5 marked)

25 Q. All right. Let me show you Exhibit 5. Can

89

1 you tell me what that is, please.

2 A. Once a person gets -- they have clicked the --  
3 filled out the interest form this is what they get.  
4 It's an automatic letter.

5 Q. The interest form where?

6 A. The interest form is on the website. It is  
7 just a blank -- you just put your name and information  
8 in there. You come down to the end of this page right

9 here which was the former income page, now it's a  
10 very -- very generic page. At the bottom of that if  
11 you are interested, you fill out the interest form.  
12 When you fill that out -- you have properly filled it  
13 out, this is what you get. This is a welcome, just a  
14 welcome letter.

15 Q. All right. Now I thought -- well, I see it  
16 says 3 Simple Steps and the service mark. I thought  
17 you weren't trying to get a mark on 3 Simple Steps.

18 A. Initially we were. I mean, again, this is  
19 something that I wanted to protect. But with the call  
20 from Chris Burgess we took it off everything.

21 Q. Okay.

22 A. The only thing that is left is reverse margin.

23 Q. All right.

24 A. That's the one thing we have actually the  
25 completed paperwork from the federal government.

90

1 Q. All right. Now, is the -- is the compensation  
2 plan that is described in these other documents and  
3 whatever I'm going to get, is that -- is that federally  
4 protected?

5 A. The term reverse margin is the only thing that  
6 is. Reverse margin is what is federally protected.

7 Now, I don't know if implicit in that is our plan. The

8 term is protected for sure.

9 Q. Now, here in Exhibit 5 you say federally

10 protected comp plan. Added to this incomparable

11 product is our trademarked compensation structure that

12 was purposely designed and structured to pay huge

13 commissions both on the front end and the back end.

14 Now, are you saying here that the

15 structure of the comp plan is trademarked?

16 A. According to my definition prior to talking

17 with Mr. Burgess, that's what I was saying, yes.

18 Understanding that you can't do that, that's not what

19 we -- that's how we nomenclate that now -- it is not

20 how we nomenclate that now.

21 Q. How do you nomenclate it now?

22 A. Reverse margin is the trademark, the term

23 reverse margin.

24 Q. All right. So the structure and design -- you

25 are not saying now that the structure and design --

1 A. We say -- proprietary compensation plan now is

2 what we say.

3 Q. Did Mr. Burgess speak with you specifically

4 about this language, federally protected comp plan?

5 A. Not that I remember. The answer is no. It  
6 was a generic discussion about the marks in general.

7 (Exhibit No. 6 marked)

8 Q. Now, Exhibit 5 was -- shoot. Did I -- was  
9 that Exhibit 4 or 5?

10 A. This is 5, yes.

11 MR. CIARACHI: We need a sticker.

12 MR. MYERS: Yeah. I wrote on it instead.

13 We will do that later.

14 Q. Let me show you Exhibit 6. I'm not sure these  
15 go together, but if you would look at all of the pages  
16 of Exhibit 6. It may be two different documents.

17 A. (Reviews documents.) Yes.

18 Q. Is it two different documents?

19 A. Oh, I'm sorry.

20 Q. Do they go together?

21 A. Was there a question?

22 Q. I'm sorry.

23 A. No, these are just -- these are just  
24 advertisements, I think.

25 Q. I marked the wrong one.

92

1 A. Okay.

2 MR. MYERS: I will put the stickers on

3 them later.

4 THE WITNESS: We object.

5 Q. There is a letter and then it looks like an

6 Internet page. I'm trying to figure out if they go

7 together.

8 A. I don't think so, no.

9 Q. Okay.

10 A. These are different.

11 Q. All right.

12 A. Yeah, one of these is actually a script on a

13 phone call.

14 Q. All right. With -- with agreement we will

15 make Exhibit 6 the phone call script. That's what I

16 want Exhibit 6 to be, so you can tear off the first two

17 pages and give it back, please.

18 A. Okay.

19 Q. Thank you. All right. On Exhibit 6 when you

20 say it's a script for a phone call, is this a standard

21 phone call that is done over and over again or what?

22 A. This is if somebody responds from an ad. This

23 one in particular is for reps.

24 Q. For candidates to be reps?

25 A. Yes.

1 Q. All right. And it has been -- is this the  
2 script that they would still -- if you call in, you  
3 still get this script?

4 A. I don't think this one is still up, but I  
5 can't be sure of that. We can find out.

6 Q. When was -- okay. How would we find out?

7 A. Just call the number. It is probably  
8 800/814-7146.

9 Q. How long has that script been in use? This  
10 script that we are talking about is Exhibit 6, how long  
11 has it been in use?

12 A. This script probably -- probably four or five  
13 months.

14 Q. Beginning when, about June of 2005?

15 A. That could be correct, yeah.

16 Q. And what was used prior to June of 2005?

17 A. Very similar. Something similar.

18 Q. Do you know what changes were made?

19 A. Mainly just try to make a more powerful script  
20 each time I do one; try to word it better.

21 Q. Do you have --

22 A. You can always say something -- I'm sorry.

23 Q. I'm sorry. Go ahead.

24 A. You can always say something better.

25 Q. Right.

1 A. I'm in constant revision.

2 Q. Do you have copies of your previous scripts?

3 A. I probably could find some, yes.

4 Q. Okay. Do you have -- you said you didn't  
5 think this was the script that was still on the phone  
6 call.

7 A. You know, we could find out real quickly. I  
8 change them out about once every three to four months,  
9 and it's a very labor-intensive process. When you  
10 change one idea you got to change the website, you got  
11 to change phone calls, you got to change a thousand  
12 different things. It is just very time consuming. In  
13 a small company it is very time consuming.

14 Q. All right. And when do you think is the last  
15 time you have made changes to this script?

16 A. It has probably been, I would say, two months.

17 Q. Sometime in November or when?

18 A. Probably October possibly.

19 Q. All right. On page 2 of Exhibit 6 --

20 A. Yes.

21 Q. -- do you see in the second paragraph it says,  
22 Number 2 is our compensation plan, federally  
23 trademarked by Advantage Conferences?

24 A. Uh-huh.

25 Q. Correct?

95

1 A. Yes.

2 Q. Now, there you are telling these candidates

3 for pro reps that the plan itself is federally

4 trademarked; is that right?

5 A. That's correct. And that is incorrect, as we

6 know now.

7 Q. And as you sit here today, you can't say 100

8 percent sure that this has been changed.

9 A. It's possible. You know, anybody that wants

10 to do a hatchet job on me can probably find stuff

11 floating around at different places. If that's the

12 purpose of any organization or governmental agency, I

13 think that could happen.

14 MR. MYERS: All right. Object as

15 nonresponsive.

16 Q. As you sit here today, you can't tell us that

17 this has been changed, correct?

18 A. I can't tell you for sure, correct.

19 Q. Do you have -- does Advantage Conferences keep

20 any statistics on what the pro reps' expenses are for

21 marketing?



22 A. No, it is totally independent.

23 Q. Do you have any idea of what Jack Weinzierl's  
24 monthly marketing expenses are?

25 A. I do not.

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1 Q. Don Goldstein's?

2 A. I have no idea.

3 Q. Jim Wald's?

4 A. No.

5 Q. Carrie Russell?

6 A. Carrie Rasel.

7 Q. Rasel. I'm sorry.

8 A. No. I don't ask them. In the president's  
9 interview it is -- one of our questions is, is do you  
10 understand that advertising and marketing is solely up  
11 to your discretion and yours alone. And I'm  
12 paraphrasing. I don't know if I say it exactly like  
13 that.

14 Q. Is there -- do any of the Advantage  
15 Conferences documents suggest a number of what  
16 marketing expenses might be to earn significant income  
17 through the plan?

18 A. Yes. I have said 2 to \$300 a month will get  
19 you on PaperClick. We said that in early 2005 because

20 that was -- this is a very fluid situation. It changes  
21 weekly of what -- what works and what does not work in  
22 marketing. Any marketer can tell you that.  
23 Q. Okay. So is there -- is there any written  
24 materials that are given to pro reps that say 2 to \$300  
25 a month will get you on PaperClick?

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1 A. Not now.  
2 Q. When was that changed?  
3 A. Just for the fact that I'm not making any  
4 ascertations whatsoever about marketing. The marketers  
5 market. The company is out of it. We were trying to  
6 be helpful in the beginning, and we can see how that  
7 can be used against us.  
8 Q. Has that been used against you?  
9 A. No, not really, but I'm getting --  
10 Q. Was it accurate to say that one could make  
11 \$7,000 over and over again for \$200 a month?  
12 A. Initially, yes. Yes, because there were few  
13 reps, few people were advertising and they could  
14 capitalize on that. As we got bigger it became more  
15 diluted and that became less valid.  
16 Q. And are you -- are you telling me that you  
17 have no idea what your top earners spend monthly in --

18 in marketing?

19 A. I know that I go online and I tell people not  
20 to spend anything.

21 Q. That wasn't my question. My question was, are  
22 you telling me that you don't have any idea what your  
23 top five marketers earn -- I mean, spend for marketing  
24 expenses?

25 A. Not with any reliability, no.

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1 Q. You have never had a conversation with them  
2 about it?

3 A. I don't ask them, no.

4 Q. Have they ever told you?

5 A. I have had occasion to -- somebody say, well,  
6 I spent such-and-such this month. But for me to make  
7 that an assertion of a monthly expenditure by anybody  
8 would be irresponsible on my part to even say that.

9 Q. How many -- how many total pro reps are there?

10 A. At what level? Just any level?

11 Q. Any level. Just total.

12 A. Probably have about 30 -- in the range of 30  
13 right now.

14 Q. How many of the 30 would be MMC-IV?

15 A. I would say the majority of those. Probably

16 22 of those are MMC-IV. Again, I'm -- I'm giving you  
17 ballpark.

18 Q. And III?

19 A. I'm going to stay two. III is the least --  
20 the least worked category.

21 Q. II?

22 A. On its own I would say --

23 Q. Oh, I'm sorry, you are not finished?

24 A. No, I am. II -- you know, I would really  
25 prefer Laura to do this.

99

1 Q. Okay.

2 A. She is the one that can -- I'm going to mess  
3 it up. I don't want to go on record stating that.

4 Q. All right. So I should ask Laura Porter about  
5 the numbers of pro reps --

6 A. Yes.

7 Q. -- and who is in each category and that sort  
8 of thing?

9 A. Yes.

10 Q. All right. Before I -- I may or may not mark  
11 these. I need to ask you about them. Can you identify  
12 what these documents are for me, please.

13 A. Okay. The first one looks like it's people

14 who have enrolled in our business, this 59.95.

15 Q. So -- well, why don't -- okay. Go ahead. So

16 the document that is labeled at the bottom AC-455 --

17 A. Yes.

18 Q. -- and at the top it says Paid Enrollment,

19 that is everybody who has paid 59.95?

20 A. That is correct.

21 Q. Okay. The document labeled AC-340 that says

22 Commissionable Sales, what is that?

23 A. This looks like it's a breakdown since -- I

24 don't guess that -- these are a breakdown by MM --

25 well, pro reps. Sales made -- well, just sales made by

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1 reps, I guess.

2 Q. Are these the only -- are the people on this

3 list in the column -- the left column that says rep

4 name, are these the only reps who have made

5 commissions?

6 A. This is showing sales. It is not showing

7 commissions.

8 Q. Well, on the right -- the right-side column it

9 says commission amount.

10 A. I don't think that is right.

11 Q. Why don't you think that is right?

12 A. Because I'm showing -- here is some people in  
13 here that I know are not pro reps and it is showing a  
14 dollar amount next to.

15 Q. Who is it showing as a pro rep?

16 A. Well, Cindy Plowman with \$7,000, I know she  
17 has not made.

18 Q. What page is that on?

19 A. That is number 3. Again, this would be much  
20 better to ask Laura. She just came up with these  
21 documents. I have not even taken time to study them.

22 Q. I'm sorry. I don't see Cindy Plowman.

23 A. Okay. Page 3, about two-thirds of the way  
24 down.

25 Q. Oh, okay.

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1 A. She may have. I mean, if she has, that is  
2 great, but I don't think she has.

3 Q. Well, I think -- I could be wrong, but I think  
4 that is a \$7,000 commission for Jack Weinzierl.

5 A. Could be. I'm sorry. Say that again.

6 Q. I think that's a \$7,000 commission for Jack  
7 Weinzierl.

8 All right. Are you -- are you not  
9 familiar with this document?

10 A. I am not. I'm sorry. It just got --  
11 Q. I'll ask --  
12 A. We have been asked for a lot of documents, and  
13 we have just come up with a bunch of them.  
14 Q. That is why I wanted to -- before I marked  
15 them. I will ask Laura.  
16 A. Oh, I see, that's correct. You are correct.  
17 That is right. That is Jack Weinzierl's commission.  
18 Q. All right. It would be better to ask her  
19 about these documents?  
20 A. You are talking to somebody that doesn't know  
21 here.  
22 Q. All right.  
23 A. That's what that is. This is a list of the  
24 various reps and what they have made.  
25 Q. All right. Do you -- and I see some of the --

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1 in the right column it says commission amount. There  
2 is an F next to some of these entries, like a I and  
3 then it says F. What does that mean, do you know?  
4 A. I really don't.  
5 Q. Okay.  
6 A. Female. I don't know.  
7 Q. All right. Look at the next document which is

8 labeled AC-462, and at the top it says Discontinued

9 Reps. Do you -- do you see that?

10 A. Yes.

11 Q. All right. What are -- do you know what this

12 document is?

13 A. This looks like people who have resigned.

14 Q. All right. Do -- do -- did -- excuse me. Did

15 these people get refunds on whatever amount they paid?

16 A. No, no.

17 Q. Why not?

18 A. Because our refund policy is you go to the

19 event. If you don't get your money's worth at the

20 event, you get a refund. If you quit, you don't get a

21 refund. There is a 72 hour right of rescission by

22 Texas law that we have instituted that if somebody

23 wants -- if they buy a product and they want to get out

24 of it, they can do it within that time period.

25 Q. All right. If someone enrolls in the -- if

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1 someone enrolls and pays \$9,995, you are saying within

2 three days they can get their money back?

3 A. Correct. Uh-huh.

4 Q. But if they don't ask for it back in three

5 days and then later they go to the conference and they



6 don't think it was worth it, do they get their money

7 back then?

8 A. Yes, immediately.

9 Q. Has anyone ever asked for a refund?

10 A. Not under those circumstances.

11 Q. Under what circumstances?

12 A. Circumstance of coming into the business just  
13 to make money and not -- not getting involved for the  
14 product's sake, which we absolutely do everything in  
15 our power to avoid enrolling anybody that is doing  
16 that. If they are just coming in and looking at this  
17 as a compensation structure to make money, we try to  
18 discern that in the president's interview.

19 They sign all kind of documentation  
20 recognizing the -- the refund policy. They know what  
21 they are getting into. And so just by contract, I'm  
22 not going to write a check for somebody that just wants  
23 their money back. Normally what that is is somebody  
24 coming in and giving some very half-hearted effort at  
25 being a rep here and not being successful. And I don't

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1 reward quitters. I'm not going to do it.

2 Q. What documentation is there that they sign on

3 the -- that you mentioned that they sign all kinds of

4 documents?

5 A. Yeah. It's in the application enrollment.

6 It's in the order form as well. It's also in the

7 president's interview.

8 Q. Okay. Now, when I asked you if anybody had

9 asked for a refund, you said not under those

10 circumstances. Has anyone for whatever circumstance

11 asked for a refund?

12 A. Yes, we had our guy Gandley that I was telling

13 you about wanted a partial refund.

14 Q. Okay. Did that happen?

15 A. It may happen, yeah.

16 Q. Has it happened as of today?

17 A. No, it has not happened as of today.

18 Q. Is there -- what is the status of those

19 discussions?

20 A. The status -- the status is that he -- he

21 complained to the Better Business Bureau. And that if

22 that gets taken off the record, then he will get a

23 refund.

24 Q. So you have -- have you told Mr. Gandley that

25 if his complaint to the bureau gets taken off, then he

1 will get his refund?

2 A. I have told him that I don't want -- you know,  
3 we don't need bad marks against us. And I have also  
4 said, do you understand where you are wrong in this  
5 area. He said, yes, on his assertion in the complaint.  
6 So we are fine on that. I want him out of the  
7 business. There are very few people I say that about.  
8 This is one guy I want out of the business.

9 And we try to do that initially in our  
10 enrollment process. We are the only company that does  
11 a per-person interview. All of the other companies you  
12 pay your money, you are in the business, which I find  
13 to be ridiculous.

14 Q. Do you do an in-person interview?

15 A. We did that for a long time. I did our first  
16 170 reps. I did it on the phone, in person, and after  
17 that we went to a written interview. I did 14 this  
18 morning, and I disapproved three of them.

19 Q. So is Advantage Conferences -- would you  
20 describe it as growing at a fantastic rate even today?

21 A. I would say it has been -- our whole issue in  
22 this -- this lawsuit right here is that we have had  
23 stilted growth due to the postings on the Better  
24 Business Bureau site. We are doing okay.

25 Q. You wouldn't describe it as fantastic growth?

1 A. No. I would up through our -- our little

2 debacle with the Better Business Bureau.

3 Q. Okay. Up through October -- say the end of

4 October 2005?

5 A. That is correct. I was very happy with the

6 growth.

7 Q. So you wouldn't have described it in December

8 of 2005 as being fantastic growth?

9 A. I would say overall in 2005 it is. But

10 looking at our recent scenario I would say I'm very

11 disappointed in what has happened with the Better

12 Business Bureau.

13 Q. Okay. Have you determined how you are going

14 to calculate damages in this case?

15 A. It is almost incalculable.

16 THE WITNESS: Calculable, is that a word?

17 Spell that right, would you?

18 A. It is very difficult to calculate. People

19 look at our business. They have all kind of

20 misguidings or apprehensions. They are scared. They

21 are concerned. And so they get involved with us and

22 then something like the Better Business Bureau happens.

23 All of those fears rise to the top and they just quit

24 producing. So how do you measure their lack of

25 production.

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1           Beyond that, new people coming into  
2 Advantage Conferences, going to the site and just  
3 simply quitting the process, not buying the conference,  
4 not enrolling. How in the world do you measure that,  
5 because they are not going to write you, they are not  
6 going to indicate that that is what happened. They  
7 just quit. They just stop the process. It is very  
8 debilitating. It is very damaging.

9     Q. All right. Well, can you tell me how you are  
10 going to cal -- you are going to ask -- at some point  
11 in the case you are going to ask for damages; isn't  
12 that right?

13    A. Yes. Uh-huh.

14    Q. All right. And so tell me how you are going  
15 to calculate your damages.

16    A. We are going to show specific instances of --  
17 of ledger or writings that we do have that amazingly  
18 the people did contact us and say -- and they will -- a  
19 lot of times they will send the link to the Better  
20 Business Bureau site and they will say this is why I'm  
21 stopping. Tim Darnell is a crook. He is a criminal.  
22 I'm getting out of here.

23 Q. Okay. So tell me how you are going to

24 calculate your damages from that.

25 A. Okay. So we are going to take those and look

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1 at those particular instances and then project from

2 there what -- what reps produce. We are going to go in

3 and estimate how many people have looked at this and --

4 and said no to the process and what we believe has

5 happened. We were on a good rise as far as monthly

6 volumes were concerned. And I don't know that there is

7 any amount of money that can make up for this, what I

8 consider to be extremely irresponsible posting.

9 MR. MYERS: Okay. Object as

10 nonresponsive to the last part.

11 Q. After you take those instances and project

12 from the estimate of how many people looked at it and

13 said no, what are you going to do in calculating the

14 damages?

15 A. Say what now? One more time.

16 Q. You said you were going to take those

17 instances and project from there or estimate -- or

18 estimate how many people looked at the business and

19 said no. And then what are you going to do in

20 calculating your damages?

21 A. Put a -- put a dollar amount to that and look  
22 at our past record, see how many people have come in at  
23 59.95, how many have come in at I, II, III and IV and  
24 put a number to it.  
25 Q. Okay. Have you done that?

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1 A. No.  
2 Q. Have you done it in part yet?  
3 A. In my mind I know we have lost hundreds of  
4 thousands if not a million dollars at this point. No  
5 question. I have reps screaming in the field right  
6 now.  
7 Q. Look at the document that is AC-463.  
8 A. Okay.  
9 Q. Oh, by the way, who is -- would you be the  
10 person who when it is done calculates those damages?  
11 A. I will definitely be part of the process,  
12 yes.  
13 Q. Who else will be part of the process?  
14 A. Laura will, as will Jason.  
15 Q. And what is -- can you tell me what 463 is,  
16 the document that is entitled Monthly Grow -- Growth?  
17 A. This looks like the sales that were purchased  
18 or the -- whatever product was purchased during these

19 months.

20 We see in here a very nice September. We

21 see a decrease in October. We see November,

22 historically the biggest month of the year, a

23 tremendous decrease.

24 Q. In November a -- well, 2005 is your -- your

25 first year; is that right?

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1 A. First year with this business model, yes.

2 Q. Okay. So you are not talking about historic

3 business of Advantage Conferences when you say

4 historically that is a big month.

5 A. In our industry is what I'm talking about,

6 November is a huge month for us. It tapers off some in

7 December due to Christmas and the holidays.

8 Q. Now, according to this document, November is a

9 bigger month than September; is that right?

10 A. I'm just looking at the -- we had a lot of

11 MMC-4's, but as far as number of transactions we were

12 down.

13 Q. All right. Do you have a document similar to

14 this for 2004?

15 A. 2004 was -- we did nothing in 2004, the entire

16 year. We didn't break \$40,000 in 2004, the entire



17 year. It took me years to get to this point and that's  
18 why it's a -- very concerned about the Better Business  
19 Bureau.

20 Q. All right. Let me see those documents,  
21 please.

22 A. All of them?

23 Q. Yeah, all of them. Those (indicating).

24 A. (Complies.)

25 MR. MYERS: We will use them on Friday,

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1 so I will mark them Exhibit 7, 8, 9 and 10.

2 (Exhibit Nos. 7 through 11 marked)

3 Q. Let me show you Exhibit 11 and ask you if you  
4 can identify that for me.

5 A. (Reviews document.) Yes, these are just  
6 people that have purchased the Virtual Vault. This is  
7 just a link on our website.

8 Q. Okay.

9 A. And a product done by one of our attorneys,  
10 Richard Hockert, called Virtual Vault. It is an e-book  
11 regarding asset protection.

12 Q. Okay. Are the purchases of that -- the  
13 persons listed as having purchased the Virtual Vault,  
14 are those all pro reps?

15 A. No.

16 Q. How many are -- how many are not pro reps?

17 A. Nineteen.

18 (Exhibit No. 12 marked)

19 Q. Okay. And what is Exhibit 12?

20 A. This is our Better (sic) Business Collection.

21 It's a collection of CD's that sales just for -- just

22 business advice.

23 Q. That is sales of the Better (sic) --

24 A. Better (sic) Business Collection since -- it

25 looks like it is since July.

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1 Q. Of 2005?

2 A. Yes. Uh-huh.

3 Q. Is Laura Porter more familiar than you with

4 the -- the financial statements of the business?

5 A. Much more so, yes. That's her job.

6 Did you ask me a question or am I --

7 Q. No, I just asked you what that was, and I

8 think you told me.

9 A. Okay.

10 MR. MYERS: Let's take a short break.

11 THE VIDEOGRAPHER: Off the record, 12:21.

12 (Recess taken)

13 THE VIDEOGRAPHER: Back on the record at  
14 12:33.

15 Q. Mr. Darnell, do you approve all of the  
16 marketing for Advantage Conferences, LLC?

17 A. Our policy is that any published material, any  
18 recorded material has to go through our office and has  
19 to be approved by me for two reasons. One is legal and  
20 number two is -- or as best as I can ascertain legally.

21 And then two, is that a lot of times I will improve the  
22 copy from what they are putting together. Some of our  
23 marketers are not experienced copyrighters or ad  
24 designers whatsoever.

25 Q. And when you say your marketers, who are you

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1 referring to?

2 A. The reps. Yeah.

3 Q. So the reps write their own websites and --

4 A. Sometimes. We prefer that they use just  
5 published material by the company. If they do come up  
6 with a piece that they think is good, then they have  
7 got to send it to us in order to be verified and  
8 approved.

9 Q. Have you produced all of the published  
10 material that has been produced by the company for use

11 by the reps?

12 A. Yes, yes.

13 Q. Now, if --

14 A. All of the good stuff.

15 Q. Well, did you produce all of the bad stuff

16 too?

17 A. Oh, no. Yes, I did.

18 Q. The -- the exhibits that we have showed you

19 that have marketing materials that you can find on the

20 website that are marked as exhibits, were those

21 produced by the company or were any of those produced

22 by pro reps?

23 A. All produced by me.

24 Q. Okay. If -- if somebody goes on the website

25 and puts Advantage Conferences in -- say, in Google,

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1 for instance, and it brings up a bunch of links, would

2 the information that one could find on another website,

3 such as nationsjob.com, would that be approved by --

4 A. Nationsjob.com?

5 Q. Yeah.

6 A. I am not familiar with that.

7 Q. Okay. Well, do you know if there is any

8 information about Advantage Conferences on that

9 website, nationsjobs.com?

10 A. I would sure like to take a look at it. Do

11 you have a rep name with that?

12 Q. No. I'm just asking you if information that

13 would be there -- marketing that would be there by

14 Advantage Conferences is approved by the company.

15 A. Not that particular site that I know of. I

16 don't know who that is. Now, what we encourage reps to

17 do is they can have what is called splash pages. And

18 that means a new URL, not using the Advantage

19 Conferences website as a landing page. And there is

20 advantage to them to doing that. It gets them out of

21 the loop of all of the other Advantage Conferences

22 reps, so it distinguishes them. It's a discrete

23 website. But anything that is published, the policy

24 and procedure is they have to approve that through me.

25 Now for me to be able to police all of that, that's a

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1 different story.

2 Our reps are my best police force. They

3 are looking out -- especially if it is a competitive

4 rep to another rep, they will be looking out for that.

5 And everybody knows what is policy and what is not.

6 Q. Would you -- would you agree that there is no

7 selling involved in the income opportunity with --

8 (Discussion between counsel and witness)

9 Q. Would you agree that there is no selling

10 involved in the income opportunity with Advantage

11 Conferences, LLC?

12 A. I would agree.

13 Q. So a pro rep doesn't have to sell anything.

14 A. That's correct. That's correct.

15 Again, another point of departure of the

16 innovation that we put into the marketplace. And

17 again, that's where we are very concerned about our --

18 our IP.

19 Q. Do you agree that once many other people

20 become aware of the Advantage Conferences opportunity,

21 the ability to capitalize will never be as strong as it

22 is right now?

23 A. I think that -- no, I disagree with that. I

24 think that new methods have to be utilized, and the

25 same methods cannot be as strong. Yes, I would agree

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1 that some methods will lose their saliency. They will

2 be diluted. But that doesn't mean that there is not a

3 lot of other methods to market. I believe our top

4 money earners have yet to enroll.

5 Q. All right. So it would -- it would not be  
6 accurate to say that the opportunity with Advantage  
7 Conferences is the strongest now.

8 A. I would say there is advantage to being in on  
9 the ground floor. I think there certainly is an  
10 advantage to that. But I also think that the  
11 opportunity is wide open. We have, what, 300 some reps  
12 in our business out of billions of people on the planet  
13 with a product that appeals to virtually anybody.

14 Q. Do -- does any of your marketing discuss the  
15 opportunity of getting in on the ground floor that you  
16 know of?

17 A. I have said -- I have stated that before. I  
18 have stated that there are definite advantages for  
19 being first to any dance. It's no question about it.

20 Q. And why is that?

21 A. You have more time than newer people. You  
22 have time to build your business, and it matures over a  
23 longer period of time than others do. You will be the  
24 one that is contacting the other people as opposed to  
25 being the contacted. Contactors have the -- that is

1 where the money is at.

2 Q. The money is in the contacting of other

3 people?

4 A. Yeah, of -- of promoting our product and --

5 Q. And the income opportunity?

6 A. And the income opportunity, absolutely.

7 Q. Would you agree that the window of opportunity

8 for Advantage Conferences is relatively small, and once

9 other -- others are aware of the opportunity the

10 ability to capitalize will not be as strong?

11 A. I think the initial people have the strongest

12 opportunity, yes, in any opportunity in America,

13 including Advantage Conferences.

14 At the same time other people would see

15 that as a detriment. They would say, hey, let's let

16 this thing -- let's let it congeal. Let's let it get

17 better, then later on I will come in two years from now

18 when all of the kinks are worked out.

19 Q. Do you know if there is a -- you have any pro

20 reps in Coppell, Texas?

21 A. I had a David Sage that I know of who did not

22 renew.

23 Q. Is he on the list of discontinued reps?

24 A. No, that's -- the discontinued reps are people

25 that have resigned. There is a different list for



1 people who have just not renewed.

2 Q. Has that been produced, to your knowledge?

3 THE WITNESS: It was asked for yesterday.

4 You should have gotten it. Have you gotten it?

5 MR. CIAROCHI: When we are done I will go

6 look real quick at the faxes that we have and we will

7 give you a definitive answer. But if it came in

8 yesterday, we gave it to him. And we got pretty much

9 everything we asked for.

10 MR. MYERS: Well, I haven't --

11 THE WITNESS: I know I asked specifically

12 for her for the nonrenewals.

13 Q. Tell me the difference between a discontinued

14 and a nonrenewal.

15 A. You have the opportunity to quit Advantage

16 Conferences in writing. If you want to do that, you

17 can do that. We have had several reps do that.

18 Q. And that's a what, a discontinued?

19 A. That's a discontinued rep. Then we have

20 nonrenewals. That is people who just don't opt --

21 don't take the option of renewal at the beginning of

22 the year.

23 Q. Is it a yearly renewal?

24 A. Yes, calendar year.

25 Q. Okay. So even if you joined December 15th,

1 you would have to renew on January 1st?

2 A. No. No, people in the last quarter don't have

3 to renew, so it's a -- that's the window of time.

4 Q. All right. So the list that you have that we

5 marked as an exhibit is a discontinued rep?

6 A. Yes.

7 Q. And how do you know if somebody is -- you said

8 they have the opportunity to quit. I mean, how do you

9 know if somebody just doesn't do anything? Is that

10 quitting or --

11 A. Yeah, a lot of people have done that. I mean,

12 that's a -- that's an intangible. It's a -- I mean, we

13 have reps that do nothing from day one. I mean, thanks

14 for enrolling. No production whatsoever, no focus, no

15 activity, no production.

16 Q. Okay. And how -- out of the exhibit that we

17 have there that has all of your enrolled reps, how

18 would we know which ones have done something and which

19 ones don't?

20 A. Well, we can look at the sales, you know, just

21 look at that. We could look at enrollment. I don't

22 keep a list of this, but at the beginning of our

23 training calls everybody introduces themselves. Some

24 choose not to introduce themselves. They are shy. But

25 I can tell who is active by people who are on the

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1 training calls that I do on a regular basis.

2 Q. Do you keep records of the attendance on the

3 training calls?

4 A. No, no.

5 Q. Are the training calls recorded?

6 A. For the most part, yes. If it is a -- some

7 are not as good as others. We don't record -- we

8 won't -- we will record it, but we won't keep it.

9 Those are up on our website by the way.

10 Q. Okay. So what do you mean they are up on your

11 website?

12 A. Our reps have access to the RRC, our rep

13 resource center, and they can access trainings that

14 they were not able to physically attend due to a time

15 conflict or whatever. They can go into the rep -- RRC,

16 rep resource center, and access some of those training

17 calls. And that has worked out real well. We are

18 getting international reps now and time is very

19 different for them.

20 Q. All right. On -- go back to David Sage. How

21 many -- when you said he didn't renew, how many didn't

22 renew in 2006?

23 A. Good question. Please ask that of Laura, if

24 you would. She will have a definitive answer on that.

25 THE WITNESS: Jason, if you could make

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1 sure we get that document.

2 Q. Now, did you talk to David Sage when he didn't

3 renew?

4 A. I did not. I did not. I don't care to have

5 him on board.

6 Q. You don't what?

7 A. I don't care to keep him on board. He was

8 unproductive. I don't need unproductive reps. At one

9 time with me and All Star Entrepreneur he was a monster

10 rep. He was phenomenally successful.

11 Q. Do you know if he -- did he enroll anybody

12 else under him --

13 A. He did.

14 Q. -- in Advantage Conferences?

15 A. Uh-huh. He did.

16 Q. And why was he unproductive? You just said he

17 was unproductive.

18 A. Well, just minimal production for him. He is

19 a multimillion producer. He was NSA's number two

20 producer. He made a fortune. He was responsible for  
21 about a third or more of their entire organization  
22 which is huge. I mean, they are a multibillion dollar  
23 company now.

24 Q. Who is that?

25 A. NSA, National Safety Associates in Memphis.

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1 Q. Are you a millionaire?

2 A. I think by some definitions I am; other  
3 definitions I'm not. And I purposely keep my private  
4 information private.

5 Q. Okay. And by what definition are you a  
6 millionaire?

7 A. Probably by IRS definition.

8 Q. And by what definition are you not?

9 A. Cash in the bank.

10 Q. And what is the -- what is the IRS definition  
11 of a millionaire?

12 A. I think they have 300,000 a year you are  
13 considered a millionaire by -- according to the IRS.

14 Q. Has Advantage Conferences filed income tax  
15 returns?

16 A. Yes. They are tied into my returns because it  
17 is a single-person LLC.

18 Q. Well, you haven't filed for 2004, have you?  
19 A. No. For 2004?  
20 Q. I'm sorry, for 2005.  
21 A. 2005, no.  
22 Q. Did you file one for 2004, income tax return?  
23 A. Yeah. We had a CPA that I have since -- we  
24 are not using anymore, and we just got a brand new CPA.  
25 And so we will find out where that is at. They are

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1 tied into my returns and so it is -- the company is  
2 not -- not obligated to do that.  
3 Q. When is the last time you filed a return?  
4 A. I file a different way. I found out a way to  
5 file with the IRS that fits their obligations that  
6 doesn't put my information into the public sector.  
7 Q. How do -- how do you do that?  
8 A. It involves affidavit and legal -- legal  
9 involvement with the IRS.  
10 Q. What do you mean "legal involvement"?  
11 A. I mean that I do legal filing with the IRS  
12 through affidavit.  
13 Q. Okay. And you produced something like that  
14 yesterday, I think; is that right? Let me see if I can  
15 find it.

16 MR. MYERS: I'm going to mark it as  
17 Exhibit 13.  
18 (Exhibit No. 13 marked)  
19 Q. Is that what you are referring to?  
20 A. Yes, it is.  
21 Q. Okay. And --  
22 A. Yep.  
23 Q. Do you know why the full 42 pages wasn't  
24 produced? We only have 19 it looks like.  
25 A. I don't know. We can get the full 42. That

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1 is not a problem.  
2 Q. Now, tell me what Exhibit 13 is again.  
3 A. That's my filing with the IRS. They give you  
4 an option to file by -- by notice, by letter or by IRS  
5 form.  
6 Q. All right. And by this document, Exhibit 13,  
7 are you filing -- are you advising the IRS of what your  
8 income is and what your tax liability is or what are  
9 you doing?  
10 A. No, I'm advising them of my status with them.  
11 Q. What is your status with them?  
12 A. My status with them is I question them on  
13 certain aspects, various aspects about the IRS.

14 Q. What does that mean, you question them on

15 certain aspects of the IRS?

16 A. And then they have an opportunity to respond

17 to my questions. And if they don't, then my evidence

18 stands as fact and that satisfies their obligation.

19 Q. Okay. Have they responded to this?

20 A. Of course not.

21 Q. Okay. Well, my question was you said you

22 questioned them on several aspects. What does that

23 mean? What do you question --

24 A. For instance, a voluntary income tax system.

25 You say it is voluntary, and yet you are going and

125

1 knocking down people's door and carrying them off to

2 jail when they don't pay. I questioned them on that.

3 We go through many, many aspects like that that I

4 personally have had interest in and have done

5 considerable research in over the years.

6 Q. All right. Have you -- what tax year is that

7 affidavit for?

8 A. This one is 2002.

9 Q. Have you filed one of those for each year,

10 2003 --

11 A. I'm sorry. Excuse me. It is 2004.



12 Q. Okay. Tax year 2004?

13 A. Uh-huh.

14 Q. Yes?

15 A. No, no, that is not true. I'm sorry. This is

16 2002. 2002.

17 Q. You submitted it in 2004.

18 A. Uh-huh.

19 Q. Correct?

20 A. Yes.

21 Q. All right. Did you pay taxes for the year

22 2002?

23 A. I don't see how that has anything to do with

24 this discussion whatsoever.

25 Q. All right. Did you -- did you pay taxes -- do

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1 you intend to pay taxes on Advantage Conferences

2 earnings for 2005?

3 A. I intend to satisfy my obligation with the

4 IRS.

5 Q. Okay. By filing another one of those

6 affidavits?

7 A. Yes.

8 Q. When is the last time you actually paid taxes

9 to the IRS?

10 A. '98.

11 Q. All right. In the -- in Exhibit 13 you have  
12 listed something like Timothy Spencer., Darnell. What  
13 does that mean?

14 A. It's just a legal representation of the name.

15 A more correct legal representation.

16 Q. Why is that more correct than just Timothy  
17 Spencer Darnell?

18 A. Because of various documents that require that  
19 it is written that way. And if you will notice, it's  
20 in lower case.

21 Q. All right. Is that -- why is that? Why is it  
22 in lower case?

23 A. Lower case indicating that I'm not an entity  
24 of the state. That I'm not a creation -- a fictional  
25 creation of the state.

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1 Q. What are you?

2 A. I'm a God-breathed human being and not a  
3 creation of the state.

4 Q. Is it -- so I understand this, because it was  
5 produced in the case, the -- by that document are you  
6 saying that you are not required to pay taxes because  
7 you are not what, a --

8 A. No. I am -- I am asking questions of the IRS  
9 that they have to answer by law for self-help remedy.  
10 And they either do or they don't. They have chosen --  
11 they have chosen not to answer.  
12 Q. And until they answer, you don't have to pay?  
13 A. That's correct.  
14 Q. You don't have to pay or file a return?  
15 A. That's correct. This is my filing right here.  
16 It is not a return. It is the option that they give  
17 you that few people are aware of.  
18 Q. All right. Let me -- you produced some  
19 documents here that we are going to -- that I'm going  
20 to review, and if we find it necessary to ask you some  
21 additional questions we will -- we will make  
22 arrangements with your lawyer to have you come back.  
23 A. Okay.  
24 MR. MYERS: I'm going to mark them as  
25 Exhibits 14, 15 and 16.

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1 (Exhibit Nos. 14 through 16 marked)  
2 Q. Could you just identify 14 and 15 and 16 for  
3 us, please.  
4 A. Sure.  
5 Q. Okay.

6 A. 14 is a overview of the compensation plan,  
7 both reverse margin and the forced matrix.

8 Q. Is that the PowerPoint that is referred to in  
9 the e-package?

10 A. Yes. It is not technically PowerPoint, but it  
11 is more of like a Flash --

12 Q. I'm sorry. Yeah, Flash presentation.

13 A. Same -- same thing.

14 Exhibit 15 is our most recent \$7,000 call  
15 that was recorded on Saturday -- well, the 5th. When  
16 is that? Thursday night, Thursday night.

17 Q. Is that the same type of call of that -- the  
18 script that we marked as an exhibit?

19 A. No, no. Those are --

20 Q. It is different?

21 A. Yeah, totally different. This is Step 3 in  
22 the 3 Simple Steps right here.

23 Q. Okay. Exhibit 15 is Step 3.

24 A. Exhibit 14 is Step 2.

25 Q. Okay.

1 A. This is what any candidate has got to go  
2 through. And the reason our system is so powerful is  
3 because most people will drop out during this. It

4 qualifies them out, which is what we want.

5 Q. All right. And then -- okay. And Exhibit 16?

6 A. Okay. 16 is a worksheet to show people.

7 This -- this is effective in showing people how the

8 three qualifying sales work, defining your qualifying

9 sales. And then we have got -- well, yeah, that's just

10 reverse margin. Then the Forced Matrix Supplement and

11 FAQ is full of questions and answers regarding -- that

12 most people have about the compensation plan that they

13 can refer to that explains that in writing. Then we

14 have got the Reverse Margin Schedule and the Matrix Pay

15 Schedule in here. That's it.

16 Q. Okay. When we served document requests on

17 Advantage Conferences back in November, who was

18 responsible for collecting all those documents?

19 A. We had a list and we gave that -- I gave it to

20 all of our staff and we divided it up and came up with

21 as much of this as we could.

22 Q. Who prepared the list?

23 A. Jason.

24 Q. Did you see the actual request or is it just a

25 list?

1 A. I didn't --

2 MR. CIAROCHI: We forwarded a copy. We  
3 made what we call our skins --

4 MR. MYERS: I'm asking him.

5 Q. Go ahead.

6 A. Yeah, I think I saw yours. I think I saw  
7 yours.

8 Q. Did you use -- did you use my request to  
9 gather the documents or did you use some other list?

10 A. I think it was your request. And that would  
11 be part of the other damages that we would include in  
12 there, as far as the time taken by our staff to -- to  
13 amass this information here, including attorney fees,  
14 as well.

15 Q. Did you do any market research prior to  
16 starting Advantage Conferences to find out what  
17 other -- what other companies who did conferences were  
18 doing and charging and that sort of thing?

19 A. Well, yes. You know, I have been in the  
20 industry now for -- since ninety -- let's see, the end  
21 of '97 is when I first saw Global Prosperity, so that  
22 was my exposure to it, and have since reviewed several  
23 compensation plans since then, including Travel  
24 Dynamics. Liberty League, we know their concept. And  
25 then All Star Entrepreneur, our concept. That was a

1 great training ground to find out what worked and what  
2 didn't work.

3 Q. Do you still have those -- those compensation  
4 plans?

5 A. Those comp plans, no. I can -- I mean, I  
6 could -- we could have a discussion about them to an  
7 extent, conceptually how they are different.

8 Q. I'm just going to ask you to identify some  
9 documents for me that were produced. I am going -- I'm  
10 not going to do it individually, I'm just going to...

11 (Exhibit No. 17 marked)

12 Q. Can you identify what Exhibit 17 is, please.

13 A. Yes.

14 Q. What are those?

15 A. These are Messengers. I do a weekly Christian  
16 message that goes out to the field -- or goes out to  
17 anybody that is a free -- you freely sign up on it. I  
18 think we have about 4600 people on this right now.

19 Q. Okay. And that's -- like you say, that is  
20 free, nobody pays for that.

21 A. That's correct.

22 Q. You just post it on your website?

23 A. Right. And we don't market -- no, we actually  
24 send it to them via e-mail.

25 Q. They sign up.

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1 A. Yes, they sign up. We send it via e-mail.

2 There is no marketing whatsoever with this.

3 (Exhibit No. 18 marked)

4 Q. All right. And Exhibit 18, is that just more

5 of the same type of --

6 A. Yes, it is.

7 Q. -- Messenger?

8 A. You may have done a lot of work for me here

9 that...

10 (Exhibit No. 19 marked)

11 Q. All right. Tell me what Exhibit -- this set

12 of documents, Exhibit 19, is.

13 A. This is training calls from Jim Wald last

14 year. Some of the different applications he is

15 training on.

16 Q. Is that the actual -- is that just the

17 scheduling of them or is that the actual content and

18 substance of a training call?

19 A. No, no, it's just the scheduling.

20 Q. Okay.

21 A. He does -- it is sort of a free-form type

22 training. He has got a basic form, but depending on



23 who is on the conference call and asking what questions

24 is what direction he would go in.

25 Q. Okay.

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1 (Exhibit No. 20 marked)

2 Q. Exhibit 20, can you identify what those --

3 make sure they are all sort of in the same genre of

4 documents.

5 A. Okay.

6 Q. I believe they are.

7 A. Yes, these are auto response letters. Once a

8 person has filled out the -- the interest form there is

9 just a variety of letters that go out to them that --

10 that talk about different aspects of Advantage

11 Conferences or whatever the subject would be.

12 (Exhibit No. 21 marked)

13 Q. Exhibit 21?

14 A. This promotes the Brilliant Business

15 Collection.

16 Q. That is on the website?

17 A. Yes. Uh-huh.

18 (Exhibit Nos. 22 and 23 marked)

19 Q. Okay. Exhibit 22?

20 A. The Virtual Vault.

21 Q. From the website?  
22 A. From the website, correct.  
23 Q. Okay. Exhibit 23?  
24 A. Okay. Yeah. This is -- this is replaced, but  
25 I don't have it. This is the conservative version that

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1 we have gone to that has replaced the --  
2 Q. The other income opportunity --  
3 A. The other income opportunity page, yeah. This  
4 is what is on there now. This is what is current.  
5 Q. All right. And what should -- because I don't  
6 see it, what should the -- the page on your website for  
7 the conference itself look like? What is there?  
8 A. Well, it just has an idea of why the  
9 information is so valuable, what the content is at the  
10 conference. Why somebody would want to have this type  
11 of information, what it covers. And eventually what is  
12 going to happen is, this will be on -- a lot of video  
13 will be available so that you can actually see portions  
14 of the conference, snippets of the conference to get an  
15 example.  
16 Q. All right.  
17 MR. MYERS: What was that last number?  
18 THE REPORTER: It will be 24.

19 MR. MYERS: This is 24?  
20 THE REPORTER: Uh-huh.  
21 (Exhibit No. 24 marked)  
22 Q. Let me show you 24. What is -- what is that?  
23 A. Okay. This is the interest form. This is an  
24 example of the interest form.  
25 Q. Is that -- that is on the website?

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1 A. It's when you -- when you -- after you have  
2 gone to the income page down here at the bottom, you  
3 click this for the 3 Simple Steps. When you click it  
4 for the 3 Simple Steps it asks for your interest --  
5 excuse me -- your information, your personal  
6 information.  
7 Q. So you read 23, then you go to 24 if you click  
8 on it?  
9 A. Let me make sure. Yes.  
10 MR. MYERS: All right. Why don't you  
11 change the tape. I've just got --  
12 THE VIDEOGRAPHER: Off the record, 1:07.  
13 (Off the record)  
14 THE VIDEOGRAPHER: Back on the record,  
15 1:08.  
16 Q. I'm not going to mark this yet, but let me

17 show it to you. It was produced in your documents.

18 A. Uh-huh.

19 Q. Can you tell me what that is?

20 A. Yeah. The question was asked -- at some point

21 in your interrogatory you asked for conferences of

22 similar pricing or similar content, and here is one --

23 this is one we sent you.

24 Q. And what company is this?

25 A. Dan Kennedy is a -- just extremely

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1 internationally-known marketer, marketing consultant,

2 marketing author. Just a great, great marketer. So he

3 does similar conferences, although his are

4 predominantly on marketing itself.

5 Q. As opposed to what?

6 A. As opposed to in our conferences we talk about

7 marketing, but it is not the key element. In his it is

8 pretty much 100 percent marketing.

9 Q. Okay. And does he operate through a business

10 or is he just Dan Kennedy?

11 A. He is just -- well --

12 Q. Do you -- if you know.

13 A. I don't know. I'm sure he has got several

14 business entities he works through.

15 Q. Okay.

16 A. But he is real well-known, Dan Kennedy.

17 Q. And what is the -- you said you produced it in

18 response to a request regarding similar conferences

19 with similar pricing. What is the price of a Dan

20 Kennedy conference?

21 A. I think this one is -- it may say it in here.

22 I know marketers of this caliber will do anywhere from

23 5,000 to -- I have seen them for 2,500. I have seen

24 them for 5,000. I have seen them for 14,995. I don't

25 know about this particular one.

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1 Q. Okay. Is this an income opportunity or is

2 this just he holds conferences and teaches?

3 A. Mainly just -- yeah, mainly just educational.

4 Really good conferences. I mean, they are a great

5 training conference.

6 Q. So -- so this -- this Dan Kennedy document

7 which is labeled AC-482 is an example of someone who is

8 marketing a conference and not an income opportunity?

9 A. Correct. It is how to make money, but it is

10 not -- you don't make money with his conference. He is

11 just selling the conference.

12 Q. Is that different from Advantage Conferences?

13 A. Well, yes. We partner with our reps on the --  
14 on the amount, and that's -- that is where the  
15 commission comes from. His is just a straight  
16 conference.

17 MR. MYERS: All right. Subject to our  
18 review of those we will -- we will reconvene the  
19 deposition if we -- if we need to after reviewing those  
20 exhibits.

21 Thank you.

22 THE WITNESS: Thank you.

23 THE VIDEOGRAPHER: Off the record, 1:11.

24 (Deposition adjourned)

25

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1 CHANGES AND SIGNATURE

2 WITNESS: TIMOTHY DARNELL DATE: 1/10/06

3 PAGE LINE CHANGE REASON

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1 I, TIMOTHY DARNELL, have read the foregoing  
2 deposition and hereby affix my signature that same is  
3 true and correct, except as noted above.

4

5

6

7 -----

TIMOTHY DARNELL

8

9 THE STATE OF ----- )

10 COUNTY OF ----- )

11

Before me, -----,

12 personally appeared TIMOTHY DARNELL, known to me (or

proved to me under oath or through -----)

13 (description of identity card or other document)) to be

the person whose name is subscribed to the foregoing

14 instrument and acknowledged to me that they executed

the same for the purposes and consideration therein

15 expressed.

16 Given under my hand and seal of office this -----

day of -----, -----.

17

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21 NOTARY PUBLIC IN AND FOR

THE STATE OF -----

22

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1 CAUSE NO. 05-11461  
2 ADVANTAGE CONFERENCES, LLC,\* IN THE DISTRICT COURT

\*

3 Plaintiff, \*

\*

4 vs. \*

\* 14TH JUDICIAL DISTRICT

5 BETTER BUSINESS BUREAU OF \*  
METROPOLITAN DALLAS, INC. \*

6 AND JON TAYLOR, \*

\*

7 Defendants. \* DALLAS COUNTY, TEXAS

8

9

REPORTER'S CERTIFICATION

10 DEPOSITION OF TIMOTHY DARNELL

JANUARY 10, 2006

11

12 I, Janis Morris Rogers, Certified Shorthand

13 Reporter in and for the State of Texas, hereby certify

14 to the following:

15 That the witness, TIMOTHY DARNELL, was duly sworn

16 by the officer and that the transcript of the oral

17 deposition is a true record of the testimony given by  
18 the witness;

19 That the deposition transcript was submitted on  
20 January 12, 2006 to the witness or to the attorney for  
21 the witness for examination, signature and return to  
22 Janis Rogers & Associates by February 1, 2006;

23 That the amount of time used by each party at the  
24 deposition is as follows:

25 Mr. David C. Myers (3 hours, 12 minutes)

141

1 That pursuant to information given to the  
2 deposition officer at the time said testimony was  
3 taken, the following includes counsel for all parties  
4 of record:

5

Mr. Jason Ciarochi, attorney for Plaintiff;

6 Mr. David C. Myers, attorney for Defendant Better  
Business Bureau of Metropolitan Dallas, Inc.

7

8 I further certify that I am neither counsel for,  
9 related to, nor employed by any of the parties or  
10 attorneys in the action in which this proceeding was  
11 taken, and further that I am not financially or  
12 otherwise interested in the outcome of the action.

13 Further certification requirements pursuant to Rule  
14 203 of TRCP will be certified to after they have  
15 occurred.

16 Certified to by me this 12th day of January, 2006.

17

18

19

20 -----

Janis Morris Rogers, Texas CSR 3284

21 Expiration Date: 12/31/07

Firm Registration No. 105

22

JANIS ROGERS & ASSOCIATES

23 1545 West Mockingbird Lane

Suite 1032

24 Dallas, Texas 75235

Tel. No. 214/631-2655

25

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1 FURTHER CERTIFICATION UNDER RULE 203 TRCP

2 The original deposition was/was not returned to the  
3 deposition officer on -----;

4 If returned, the attached Changes and Signature

5 page contains any changes and the reasons therefor;

6 If returned, the original deposition was delivered  
7 to Mr. David C. Myers, Custodial Attorney;  
8 That \$----- is the deposition officer's  
9 charges to the Defendant Better Business Bureau of  
10 Metropolitan Dallas, Inc. for preparing the original  
11 deposition transcript and any copies of exhibits;  
12 That the deposition was delivered in accordance  
13 with Rule 203.3, and that a copy of this certificate  
14 was served on all parties shown herein on and filed  
15 with the Clerk.

16 Certified to by me this ----- day of -----,  
17 2006.

18

19

20 -----

JANIS MORRIS ROGERS, Texas CSR 3284

21 Expiration Date: 12/31/07

Firm Registration No. 105

22

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