

In The Matter Of:

*IN RE THE MATTER OF:
THE COMMISSION ON JUDICIAL CONDUCT*

*WILLIAM HAMILTON
January 21, 1997*

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BEFORE THE COMMISSION ON JUDICIAL CONDUCT
OF THE STATE OF WASHINGTON
In re the Matter of:)
) No. 96-2179
THE COMMISSION ON JUDICIAL)
CONDUCT.)
Deposition Upon Oral Examination
of
WILLIAM HAMILTON
Taken at 3800, 1000 Second Avenue
Seattle, Washington
DATE: January 21, 1997
REPORTED BY: Patrice E. Starkovich, RPR
CSR NO.: ST-AR-KP-E511MF

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(1) SEATTLE, WASHINGTON; TUESDAY, JANUARY 21, 1997
(2) 10:35 A.M.

(5) WILLIAM HAMILTON, deponent herein, having been
(6) first duly sworn on oath, was
(7) examined and testified as
(8) follows:

EXAMINATION
BY MR. TAYLOR:

(12) Q: Good morning, Mr. Hamilton. How did you first
(13) meet Grant Anderson?
(14) A: How did I meet Grant Anderson - probably in my
(15) capacity of chief executive of Western Community Bank
(16) in the early '70s.
(17) Q: Approximately when was that?
(18) A: Gosh, it would have been '72-'73.
(19) Q: The final payment made for Judge Anderson's
(20) Cadillac was approximately \$8,000; do you recall that?
(21) A: Yes, I do.
(22) Q: Do you recall that Pacific Recreation made that
(23) payment?
(24) A: I recall that I authorized that payment to be made
(25) from that account.

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(1) Q: What were the circumstances under which Pacific
(2) Recreation made that final \$8,000 payment?
(3) A: Well, among all of my involvements, companies
(4) accounts and so on, Pacific Recreation is now a very high
(5) gross business. So, this is where the money was, I guess is
(6) the fairest way to say that.
(7) Q: Why did Pacific Recreation make the final \$8,000
(8) lump-sum payment?
(9) A: My recollection is, after I approached Judge
(10) Anderson about paying off the obligation, he agreed to do
(11) so, was leaving town immediately for a vacation, said that
(12) he would pay it. I said, "Well, I will go ahead and pay it
(13) off and you can pay me back when you get back."
(14) Q: Why did you pay it off, as opposed to him paying
(15) it off when he got back?
(16) A: It was my request that he pay it off. So,
(17) therefore, it just seemed convenient at the time for me to
(18) do that that way.
(19) Q: Was there any sense of urgency as regards to the
(20) timing of the final payment?
(21) A: What precipitated the payment - it had nothing to
(22) do with the terms of the note. What precipitated the
(23) payment was my request because of his filing of a divorce
(24) action with his wife or her filing against him or something.
(25) That is when I became aware of the actual divorce, and that

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(1) is what precipitated my request that I stop making the
(2) payments because of my personal relationship with them.
(3) Q: If you wanted to stop making the payments, why did
(4) you then make the final payment? When I said "you," I mean
(5) Pacific Recreation.
(6) A: Actually, it was me. I own Pacific Recreation 100
(7) percent. He just said, "I am going to pay it off, but I am
(8) leaving town. It will take me a few days to get this
(9) together. I don't want to pursue it anymore, either." So
(10) I made the payment. It was my decision. It wasn't his
(11) decision. I approached him to pay it off. He said he
(12) would, and I paid it off, which he paid me back.
(13) Q: When you say he paid you back, was it Judge
(14) Anderson who paid you back or Ms. Kelbaugh?
(15) A: No, Judge Anderson paid me back.
(16) Q: In what form did he make that payment?
(17) A: In cash.
(18) Q: \$8,000 in cash?
(19) A: Whatever the dollar amount was, it was in cash,
(20) approximately \$8,000.
(21) Q: Did you have any understanding as to where he got
(22) the money to make that payment?
(23) A: Nothing specific. I believe he got - he
(24) indicated he got the money from Patty because - Patty
(25) Kelbaugh, because he had expended his readily-available

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(1) money on expenses to do with house improvements, things of
(2) this nature, furniture.
(3) Q: Describe for me why it was that you decided you no
(4) longer wanted to make payments on the note.
(5) A: As I indicated, what precipitated that decision
(6) was the divorce between he and his wife. They had been
(7) separated for a number of months. Quite frankly, I was not
(8) at all convinced - I don't think anybody would be, as
(9) peripherally as I was in their personal relationship, I
(10) knew them both as a couple - whether there was going to be
(11) an eventual divorce or not.
(12) When that became a reality and one or the other
(13) filed - and I don't know which one it was - and I was so
(14) informed, then it looked like it was on a final thing, and I
(15) didn't want to be involved in financially - in any way. So
(16) I just said, "I am going to stop making payments." And he
(17) said, "Well, then I will pay it off." And so I paid it and
(18) he paid me. It had to do with him leaving town that same
(19) day is really what it came down to.
(20) Q: Did he ask you to make that final payment?
(21) A: No, he did not.
(22) Q: Did you tell him you were going to make that final
(23) payment?
(24) A: Yes, I did.
(25) Q: What exactly did you tell him?

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1) A: Well, I can't recall exactly what I told him. I
2) said, "I am going to stop making payments." He said, "Well,
3) then I will just pay it off," and, I said, "When," and he
4) said, "Well, when I get back from my trip." And, I said,
5) "Well, I would like to get this resolved now because the
6) action between you and your wife is taking place."

7) It was strictly a personal thing on my part. I
8) just didn't want to get any further involved with them
9) personally and their dispute. I didn't know what he told
10) his wife about the payments. So, I said, "Well, I will pay
11) it off and you pay me back." We had that kind of
12) relationship that I felt comfortable in doing that and he, in
13) fact, did so.

14) Q: Relative to when you first learned of the pending
15) divorce, when did you make the final payment?

16) A: I don't recall specifically, within days.

17) Q: Within days?

18) A: Uh-huh.

19) Q: The payments, on an ongoing basis, were made by
20) Pacific Recreation; is that correct?

21) A: I authorized the account to be charged, yes.

22) Q: And those were automatic payments then to the
23) bank?

24) A: When I first decided to do this, I wrote a check, I
25) believe, for the first payment. And then I believe I set it

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1) up on an automatic charge which was more consistent with my
2) attendance to detail.

3) Q: How did you know where to make the payments to?

4) A: Well, I office at the bank that I chartered. I am
5) no longer the chief executive, but I am certainly aware. I
6) was a paid consultant at the time, a director. So I am very
7) familiar with the bank. I knew by then the bank, obviously,
8) had made the loan. I had nothing to do with the request on
9) the granting of the loan as a non-employee, but I was aware
10) of the loan.

11) Q: Did you discuss with Judge Anderson the fact that
12) payments would be made on an automatic basis -

13) A: No. No, I did not.

14) Q: Let finish my question, so the record is clear, or
15) the court reporter will start yelling at us.

16) Did you discuss with Judge Anderson the fact that
17) the payments would be made on an automatic basis from
18) Pacific Recreation to the account on the note?

19) A: No, I didn't.

20) Q: How was he made aware of that?

21) A: I don't know that he was made aware of where the
22) payments came from. Certainly, not through me. I mean, I
23) made no point of telling him what accounts I took the
24) payment out of.

25) Q: Did he ever ask you?

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1) A: No, I don't believe he did.

2) Q: In the payments that were made by Pacific
3) Recreation on the car loan for Judge Anderson, how were
4) those treated on the books of Pacific Recreation?

5) A: They were treated as automobile expense.

6) Q: As an expense?

7) A: Uh-huh.

8) Q: Those expenses then were part of the deductions,
9) for tax purposes?

10) A: That's correct.

11) Q: Had you consulted with an accountant about the tax
12) treatment?

13) A: Subsequent to I believe our conversation or
14) something about the issue being raised, I consulted with
15) him. He was aware that the payments were being deducted.
16) There are a number of payments being deducted and expenses,
17) as it relates to that particular corporation, and, he says,
18) "Well, in the scheme of things," he says, "they shouldn't
19) have been deducted that way," but he didn't feel that filing
20) an amended return was necessary, but he informed me at that
21) time that that was not the proper way to handle this.

22) Q: Was he aware, prior to that conversation, that the
23) corporation had been making payments on Judge Anderson's car
24) loan?

25) A: Not specifically, I don't believe.

1) Q: Did Judge Anderson, at some point, become aware
2) that the corporation had been making the payments on the car
3) loan?

4) A: No, I don't believe so.

5) Q: You told them, at some point, that you had not
6) fairly recently?

7) A: I don't know that I told him or he asked me. It
8) had to do with these questions that were - that came up
9) about how I made the payments.

10) Q: Whether he initiated it or you initiated it, did
11) you tell him that Pacific Recreation had been making the
12) payments?

13) A: I don't specifically recall. He is aware of that,
14) yes.

15) Q: When did he become aware of that?

16) A: I can't specifically say.

17) Q: Other than your accountant, who have you told or
18) who did you tell that Pacific Recreation was making payments
19) on Judge Anderson's car loan?

20) MR. SLOAN: Other than matters of privilege
21) between him and his counsel?

22) MR. TAYLOR: Correct.

23) A: I don't believe I have discussed this with anyone.

24) Q: Why not?

25) A: Because it doesn't bear any weight on anything

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1) that I do, that I see.

2) Q: Did you ever discuss it with Ms. Diane Anderson,
3) formerly Mrs. Anderson?

4) A: No, I did not.

5) Q: Why not?

6) A: Frankly, I didn't discuss any of the business
7) dealings of her husband with her unless she was specifically
8) involved in it.

9) Q: When did you first become interested in acquiring
10) Pacific Lanes?

11) A: Golly, the spring of '92.

12) Q: How did that happen?

13) A: Grant Anderson contacted me in my capacity as a
14) friend and a businessman, and wanted to look at this
15) investment or this asset of the estate, I guess at that
16) time, and see if I felt there was any way that I or anyone
17) that I knew would have an interest in making a purchase
18) which is not uncommon in the relationship that we had.

19) Q: What happened next?

20) A: Oh, I got some financial information. I was
21) familiar with the company. I had been an acquaintance of
22) Chuck Hoffman, deceased, for approximately, well, maybe ten
23) years prior to his death. And so I did my own analysis of
24) the operation, knowing what I knew about the relationship
25) between the two corporations, the operating company and the

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1) land-holding company, and I had a son graduating from
2) Washington State and qualified for graduating from
3) Washington State, and I felt that this would be something
4) that, intellectually and by interest, he could handle. I
5) look at this as a challenge.

6) Every business that I buy, I look at it as the
7) same way. I felt the cash, the cash flow, was there, and
8) so, after some discussion with my son and, you know, a
9) visit, which I was familiar with the facility. I hadn't
10) been in it possibly for five years, but I was familiar with
11) it. I told Grant Anderson that I would be interested in
12) acquiring it.

13) Q: Can you describe for me the negotiations then that
14) led to the agreement.

15) A: Oh, golly, I don't know that there was a great
16) deal of negotiating. My concern was limiting my liability
17) personally, making an investment with an opportunity for an
18) upside and limiting the downside financially. So I spent
19) more time on structuring that reality for myself than I did
20) on the price. The price was something that Grant Anderson
21) established. It was on the terms that were established
22) which was my end of it. It was a reasonable price, given
23) what I knew, which was basically the operating history and
24) opportunities that I could see by looking at the operating
25) statement.

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(1) Q: Can you describe for me the history of the offers
(2) and counteroffers.
(3) A: I don't think there were any offers and
(4) counteroffers. My recollection is Mr. Anderson told me the
(5) price that he could sell it for, and, if I could figure a
(6) way to structure that within my desires, that we might have
(7) a deal, that type of thing.
(8) Q: What was the original price he told you?
(9) A: He said he needed at least a million dollars.
(10) Q: Did he say why?
(11) A: I don't recall specifically. I am trying to
(12) recall what happened prior to our deal and what I have
(13) learned subsequent to that deal.
(14) Q: When you say what you have learned subsequent to
(15) the deal, what does that mean?
(16) A: Well, I understand that he had an appraisal for
(17) estate purposes, which I don't know that I was specifically
(18) aware of, not that it would have made a difference to me.
(19) Q: What did he say about the appraisal?
(20) A: I don't know that he said anything about the
(21) appraisal prior to the deal. But I understand now that that
(22) was in the realm of where the appraisal took the
(23) transaction.
(24) Q: How did you acquire that understanding?
(25) A: I am not specifically sure, to tell you the truth.

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(1) I have never seen the appraisal.
(2) Q: Was it from Judge Anderson that you acquired that
(3) understanding?
(4) A: Probably, but I don't know specifically when I
(5) acquired that understanding.
(6) Q: To the best of your recollection, it was Judge
(7) Anderson from whom you acquired the understanding?
(8) A: Yes.
(9) Q: As best as you can recall, what did he say?
(10) A: I don't know that he said anything, other than the
(11) fact that an appraisal existed, and that was done for estate
(12) purposes and that was the basis in which he arrived at his
(13) price.
(14) Q: The price being the million dollars?
(15) A: I believe the million dollars was the number that
(16) I came up with, based on the operation, and that seemed to
(17) be sufficient. He said, "I need at least that."
(18) Q: Who first mentioned the million-dollar figure; did
(19) you or Judge Anderson?
(20) A: I don't recall specifically.
(21) (Exhibit 1 marked
(22) for identification.)
(23) Q: Do you recognize Exhibit 1?
(24) A: Yes, I do.
(25) Q: What is Exhibit 1?

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(1) A: This is the draft of the acquisition and lease
(2) agreement for the purchase of the corporate assets of
(3) Pacific Lanes, Inc., and the lease of the bowling facility
(4) from Hoffman-Stevenson, Inc.
(5) Q: When you say "draft," I notice it is dated and
(6) executed by you and Judge Anderson. Was this intended
(7) originally to be a final, and then it was later revised, or
(8) what exactly was the significance of this in your mind?
(9) A: My recollection was that we had discussed these
(10) realities on more than a few occasions and with nothing ever
(11) being produced in writing. I had gone ahead and started the
(12) formation of my corporation and things of that nature. So
(13) he memorialized, for our purposes, his understanding of our
(14) agreement, leaving some blanks which I filled in with -
(15) that is my writing, and I wrote the word "Draft" on it, and
(16) I put in the word "August 26th." I don't know what day of the
(17) week the August 26th was, but that was the day that we
(18) signed this document. I don't know how long I had this
(19) document.
(20) Q: Did you consider this to be a binding agreement
(21) at the time that you executed it?
(22) A: Yes, I believed it was. There were some changes,
(23) minor changes, that needed to be made. It needed to be
(24) typed, and I didn't find anything particularly onerous with
(25) this particular agreement.

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(1) Q: In light of the statement by Mr. Anderson or Judge
(2) Anderson that he needed to get at least a million dollars,
(3) could you walk me through this agreement and tell me how it
(4) gets to the million-dollar number, if it does.
(5) A: Yes. My recollection was that the real estate was
(6) valued in the transaction at \$700,000, with a 50,000
(7) non-refundable but applicable option price. If I exercised
(8) the option or in other ways purchased the real estate, I
(9) would get credit for the \$50,000 against the \$700,000
(10) purchase price.
(11) Q: Let me interrupt, if I may. You say the real
(12) estate was valued at 700,000. Who valued it at that?
(13) A: That was a an allocation decision that I made.
(14) Q: Who made that decision?
(15) A: I did.
(16) Q: I'm sorry?
(17) A: I did.
(18) Q: Did you discuss that with Judge Anderson?
(19) A: Well, I had informed him of that decision. I
(20) don't believe that there was any discussion.
(21) Q: How did you come to value the real estate at
(22) \$700,000?
(23) A: It had to do with the depreciable assets, how it
(24) would be handled tax-wise, et cetera.
(25) Q: Can you explain that to me.

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(1) A: There has to be a reasonable allocation between
(2) real estate, goodwill, fixtures, et cetera. If I recall, a
(3) lot of the relevantive fixtures that were attached to the
(4) building were carried on one set of books, yet pledged - in
(5) their corporation, yet pledged to the bank through a loan to
(6) another corporation. It was pretty well not cleaned up, in
(7) my opinion, which was consistent with Chuck Hoffman's
(8) business practices.
(9) Q: Did Judge Anderson disclose to you at that time
(10) the appraised value of the dirt or the ground and the
(11) buildings?
(12) A: No, I don't believe so.
(13) Q: You told Judge Anderson that you believed the
(14) relevant real estate should be given a value of 700,000 for
(15) purposes of the transaction?
(16) A: I believe what I told him at that time is this
(17) document reflects a \$700,000 purchase, a payment of \$50,000
(18) down and \$650,000 amortized at \$6,000 a month at 7 and a
(19) half percent. And, if you follow that amortization out a
(20) couple of years, there is a residual balance of
(21) approximately \$600,000, within a short - a grand or two.
(22) And those were the terms that I was offering on
(23) the other loan which was the purchase of the business. So I
(24) felt that this would be consistent, and - the idea being
(25) that I was getting, in my mind, ten-year financing at 7 and a

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(1) half percent that I could exercise at any time within these
(2) parameters.
(3) What I was risking was a \$50,000 loan that I was
(4) making personally to this corporation, Pacific Rec, and
(5) there was no personal liability; that is as it relates to
(6) the property.
(7) Q: So I am sure I understand, walk me through, again,
(8) how you come out with the 700,000 with the 650 amortized at
(9) \$6,000 a month at 6 and a half percent.
(10) A: Seven and a half percent.
(11) Q: Seven and a half percent. Walk me through that
(12) calculation.
(13) A: Well, if you take \$700,000, put \$50,000 down, that
(14) brings you to 650.
(15) Q: 650.
(16) A: There you go. Take \$6,000 a month at 7 and a
(17) half percent, amortize that. In two years, the balance is
(18) roughly 600,000; in four years, 540 and so on and so on.
(19) Q: That amortization calculation was the basis of the
(20) option numbers that appear here?
(21) A: That's correct.
(22) Q: Well, is this, in effect, an offer that you
(23) presented to Judge Anderson?
(24) A: No. I believe this is a document that
(25) memorializes our verbal agreement. It was prepared by him,

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his office.

Q: In the course of these discussions, did he start at a higher figure or a higher number?

A: I don't recall. I don't believe we - this is just what we came to. I was more interested in the terms. As long as the terms satisfied his requirements, I think it was just mutually agreed.

Q: Stated otherwise, was there any give and take over the amount of money to be paid?

A: I don't recall any specific discussions.

Q: Do you recall generally there being any give and take?

A: No.

Q: Do you recall generally there being any negotiation over the amount of money to be paid?

A: Nothing that was very detailed. I had analyzed the ability of the business, in my mind, what it could and - could pay, and that was the basis under which I made my offer. Now there might have been some tweaking back and forth but it wasn't major.

Q: Is it fair to say then he accepted your offer without any significant modification or increase in the amount?

A: As I indicated before, I am not certain that I didn't already have a number in mind by his statement to me

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at the time. This is quite some time ago and several deals ago. This wasn't a bargain.

Q: Well, in the fall of 1992, you believed it to be a bargain, did you not?

A: Not particularly, no.

Q: Did you ever tell anyone you thought this was a good deal at that time?

MR. SLOAN: Excuse me. I object to the form of the question as contradicting the prior statement. Good deal and bargain may or may not be the same thing. If you could just rephrase it, please.

Q: In the fall of 1992, did you ever tell anyone that you believed you were getting a bargain on this purchase?

A: No.

Q: In the fall of 1992, did you ever tell anyone that you thought that you were getting a good deal on this purchase?

A: I might have used the statement "a good deal," referring to the terms, not necessarily the price.

Q: Do you have a recollection of using that?

A: Specifically, no.

Q: Did you ever discuss the transaction at or around this time period with Mr. Douglas Schafer?

A: Yes, I engaged Douglas Schafer to prepare and file corporate papers for me relative to this acquisition.

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Q: What did you discuss with him?

MR. SLOAN: At this point in time, Counsel, I have a concern about the matter of privilege because at that point Mr. Schafer was in fact the attorney for Mr. Hamilton in this transaction. I don't want to waive any privilege which Mr. Hamilton may otherwise have. So, unless we can work out an arrangement to protect that privilege, I have to object and instruct him not to answer. I am not saying we won't answer, but we do need some guidance here and some assurances.

MR. TAYLOR: Let me see if I can come at it differently.

Q: You filed a Bar complaint against Mr. Schafer, correct?

A: That's correct.

Q: And you were also contacted by the Bar in connection with a complaint Mr. Schafer filed against Judge Anderson?

A: I don't know whether the Bar contacted me in response to his complaint against Judge Anderson or my complaint against him.

Q: In the course of your dealings with the Washington State Bar, did you disclose to them conversations that you had had with Mr. Schafer?

A: I don't specifically recall, no.

Q: Do you recall telling the Bar Association that you told Mr. Schafer that you were getting a good deal on the purchase?

A: I am not sure how the question was couched to me. It might have been a quote that they were trying to verify.

If I made that statement, which I am not denying that I might have, and I am not saying that I did because I don't specifically recall - that, if I did, I did so in the spirit of the terms of the deal which are - which, to me, as a lender, are - there is no loan fees; there is no appraisals; there is no environmental reports; loan costs, all of which are very substantial in a transaction of this size.

The interest rate is market or was market, I should say. The fact that the rate is fixed for ten years is a bargain, and should I have ever made that statement, that is the basis of which I would have made it because that is what I believed then and that is what I believe now.

Q: What due diligence, if any, did you do in connection with the purchase, other than work the numbers?

A: To the extent that I am capable of seeing anything, I walked through the facility, talked to the operators, the management. I was aware of the management. I knew the people that were managing, the lady who was managing who is now deceased. I principally made my

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decision on the numbers which is the way I make all of my investment decisions. I am not qualified to look at something structurally or something of that nature.

Q: Did you retain anyone to look at the facility structurally?

A: No, I did not.

Q: Why not?

A: It is just not in my nature to do that.

Q: Let me ask it this way. Have you, in the past, bought other commercial structures?

A: I have purchased several buildings and properties and businesses, some of which have properties attached to them.

Q: In those transactions, did you retain someone to do a physical inspection or a structural inspection?

A: No.

Q: Going back to your discussions with the Bar, did you tell them that you had told Mr. Schafer that you were intending to make Mr. Anderson an officer of the corporation you were acquiring?

MR. SLOAN: Counsel, I have to reiterate my objections, and perhaps we could go off the record for a second.

MR. TAYLOR: Sure.
(Short recess.)

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Q: Did you, at some point, tell Mr. Schafer that you were planning on making Grant Anderson an officer of Pacific Recreation?

A: I told Mr. Schafer that I wanted to make Grant Anderson corporate secretary of the corporation. The purpose of that statement at that time and now was that Grant Anderson I knew to be a capable businessman. I valued his expertise. He had been operating this particular business for a number of years since the demise of Chuck Hoffman. I wanted Grant Anderson, if I was going to buy this thing on the basis of the information that I had available, which is the best information available, I wanted him as close to me as possible for questions and answers.

I remember telling Mr. Schafer that I wanted to make him an officer of the corporation so he would be employed; he would be compensated, however minuscule, and therefore be obliged to be available to me to answer specific questions that otherwise I knew I wasn't going to be able to ask or answer.

Q: What did Mr. Schafer say in response?

A: Specifically, he didn't say what he has said in his letters that I have had occasion to read. What he did say was that he is on the bench; he can't be involved as an officer of a corporation, and I said okay. That was the beginning and the end of that conversation.

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(1) Q: Did you tell Mr. Schafer that you wanted to reward
(2) Grant Anderson for giving you a good deal on the bowling
(3) alley?
(4) A: No, I did not.
(5) Q: Did you make the statement to Mr. Schafer that
(6) Judge Anderson had been milking the Hoffman estate?
(7) A: I have read that statement. I don't recall the
(8) statement specifically, but, if asked that question, which I
(9) have been asked that question, milking the estate, since I
(10) know nothing about the fee arrangements or anything of that
(11) nature, would have had nothing to do with that end of it. I
(12) did know of the assets of the estate. I knew of what they
(13) call the beach arrangement. I had been involved, to a minor
(14) extent, with Hoffman, and, therefore, I knew that Judge
(15) Anderson - now, at that point, Grant Anderson - had
(16) created cash out of chaos, therefore milked the assets, the
(17) non-liquid assets, the unsalable assets and converted them
(18) into money. I knew nothing to do with the innuendo that
(19) seems to follow this about fees and things of that nature
(20) which is where it is being used by Mr. Schafer.
(21) If I used that phrase, it would have been
(22) something along the line of that I have stated.
(23) (Exhibit 2 marked
(24) for identification.)
(25) Q: This is an affidavit that you signed?

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(1) A: That's correct.
(2) Q: You state: In November, 1992 - this is the
(3) bottom of the first page and I am paraphrasing - Judge
(4) Anderson told me that he could no longer meet with me and
(5) give his opinion on business deals. Is that accurate?
(6) A: In the spring of '92 -
(7) Q: November of '92.
(8) A: Excuse me. I really have to read this - oh, the
(9) last paragraph. Excuse me.
(10) Q: That is okay.
(11) A: Yes, I believe that was the case.
(12) Q: Then reading on to the second page, first full
(13) paragraph, it starts, "Not having the ability to counsel
(14) with Grant, I was forced to seek and pay for advice and
(15) services from a variety of attorneys."
(16) What attorneys did you retain following your
(17) conversation with Judge Anderson in November of '92 and up
(18) until the time that you advised him you would be making the
(19) payments on his Cadillac?
(20) A: Well, it started before November of '92.
(21) Q: What started before November of '92?
(22) A: Seeking the counsel and paying fees to other
(23) attorneys.
(24) Q: I am interested in the period from when, in
(25) November of '92, Judge Anderson told you he could no longer

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(1) meet with you to discuss business matters, and your decision
(2) to begin making payments on his Cadillac. What, if any,
(3) attorneys did you retain?
(4) A: Well, I was doing a lot of business with the firm
(5) of Sloan, Bobrick & Oldfield at the time. I still do.
(6) Q: Had you been doing business with them previously?
(7) A: No, I had not.
(8) Q: When is the first time that you retained them as
(9) your counsel?
(10) A: Oh, gosh, it would have been in '92 sometime.
(11) Q: Before or after November of '92?
(12) A: I can't recall specifically. This statement that
(13) you referred to, on page 1 of November of '92, Grant had
(14) been elected judge, he advised me of this. That was at, I
(15) believe, just a lunch or a breakfast or something of that
(16) nature. I was aware of that because of the statement made
(17) by Mr. Schafer when I was organizing this corporation in
(18) July or August. I didn't retain Mr. Schafer in any capacity
(19) to negotiate anything for me. I have my own opinions of his
(20) abilities in that regard, as well as my own. The deal was
(21) made; it was done. All I asked Mr. Schafer to do was form
(22) my corporation. In that regard, he was privy to some of the
(23) documents. So I had retained Mr. Schafer, in 1992, to do
(24) that. I believe - I can't tell you specifically what
(25) transactions I was involved with at the time, but I was

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(1) finding it necessary to hire counsel, pay counsel, for the
(2) first time, that I recall, in 20-some years.
(3) Q: What I am trying to get at, Mr. Hamilton - and
(4) you tell me if I am reading this affidavit correctly - is
(5) that, in approximately a six-week time span, from the point
(6) Judge Anderson told you he can no longer meet with you to
(7) discuss business deals and the point that you told him you
(8) would make Cadillac payments, you had to hire and pay for
(9) advice and services from a variety of attorneys. Am I
(10) reading that correctly?
(11) A: Probably not.
(12) Q: Tell me where it says different than the way that
(13) I understand it.
(14) A: I don't know that the affidavit does say
(15) different, Mr. Taylor. What I am stating is that November
(16) was nothing unique. I believe there was a meeting - I met
(17) with Grant Anderson on a number of occasions subsequent to
(18) the purchase of this bowling alley. That is why I wanted to
(19) hire him; I wanted him to have to meet with me. As a friend
(20) and as a person knowledgeable, I could ask him a direct
(21) question and I would get a direct answer. In no way did
(22) that affect legal advice. It had to do with the operation,
(23) specific questions about specific people, things of this
(24) nature.
(25) But I had been aware, like I say, of - based on

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(1) the statement made by Doug Schafer, in all candor, didn't
(2) see anything unique about it, didn't see anything
(3) significant about it. It was just a passing comment. "Oh,
(4) oh, well, he can't be secretary of my corporation; I can't
(5) pay him any money, okay." It wasn't any big deal to me. So
(6) I had - since about that time - so we are going back into
(7) the summer that I was aware of this and, therefore, had
(8) sought questions, that I would otherwise just ask Grant,
(9) from the firm Sloan, Bobrick & Oldfield and I can't tell you
(10) specifically those questions. I have known these people,
(11) gosh, since the mid '70s, also.
(12) Q: Other than the firm Sloan, Bobrick & Grant -
(13) MR. SLOAN: Oldfield?
(14) MR. TAYLOR: I'm sorry.
(15) A: What other firms?
(16) Q: What other firms did you contact during this time
(17) period?
(18) A: I can't state specifically. I would have to go
(19) back and try to figure out what I was doing at that period
(20) of time.
(21) Q: Can you tell me generally.
(22) MR. SLOAN: Did you meet with Graham & Dunn
(23) and those guys, Gallagher?
(24) THE WITNESS: Huh-uh.
(25) MR. SLOAN: Q.R.?

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(1) A: I was conferring with Steve Quickruben, who was an
(2) officemate of Schafer's on matters that he was involved
(3) with with common clients. I was conferring with J. James
(4) Gallagher. I don't recall if Jim was still with Graham &
(5) Dunn at that time or not, regarding some mutual investments
(6) that we used to have or still had and his capacity as an
(7) attorney representing those interests. Of course, I had
(8) contact with Mr. Schafer by that time to do this - to form
(9) this transaction, form this corporation.
(10) Q: When is the last time you had one of your informal
(11) sit-downs with Judge Anderson, then Grant Anderson, when he
(12) gave you business advice?
(13) MR. SLOAN: Are you talking about at this
(14) moment?
(15) MR. TAYLOR: No, prior to January 1, 1993.
(16) A: Around the time he was elected judge, September,
(17) October, November. I don't recall exactly when all of this
(18) took place.
(19) Q: I want to be sure that I understand your affidavit
(20) correctly. From that point forward, until the time that you
(21) decided to make payments on his Cadillac, is when you
(22) realized what a good deal you had received from Grant in not
(23) having to pay for his services in the past; is that correct?
(24) A: I realized that I had a good deal for a long time.
(25) I just didn't realize how good of a deal it was. I couldn't

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quantify that. In my capacities as chief executive of a bank that purchased six different banks and as an individual working with J. James Gallagher as a one-third partner and paying hundreds of thousands of dollars for purely, in my opinion, the functional end of it, not the deal, all of those transactions, the deal was made by me. Same way with the same investigation of the same pieces of real estate, the same assets. You know, there were no third parties brought in, including the sale of Washington Community Bank shares to Key Corp. It was all done by me.

So, starting in 1980 through 1990, all of these transactions, of which there were roughly a dozen, were done by me individually. Then it was presented for drafting.

When I had questions about lessees, many legal matters, as an individual, for my own purposes, I would either ask Grant or confirm with Grant. We communicated kind of with the same language which is not at all common with everyone that I communicate with.

Q: Total funds expended by Pacific Recreation in payment of the judge's Cadillac alone were well over \$20,000. Have you made gifts of a similar size to anyone else in the past five years?

A: Yes.

Q: Who?

A: Oh, gee, I gave a gentleman by the name of Dick

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Chiaravano \$10,000, an old customer of the bank of mine. He has never paid back a dime.

Q: What were the circumstances under which you gave that -

A: He approached me for a private loan. Under no basis could he qualify for a loan with anyone. He had been a friend, a customer - not a good customer. I met him through my banking relationship and I gave him \$10,000.

Q: There was an understanding that he was to repay it?

A: It was the intonation on his part.

Q: It was not a gift?

A: It has turned out to be a gift.

Q: It was not intended to be a gift?

A: In my mind, yes. In his mind, no. That was in 1989 or '90. He has never repaid a dime. He has never indicated that he has any capacity to repay it, nor have I, basically, other than check with him to see if he has got anything going that I can get involved in to help him make some money so I might get it back, but that was a relationship thing.

I loaned a gentleman by the name of Mike Hara Ha-r-a, \$50,000. Subsequent to that, I gave him, without benefit of a note, another 23-, \$24,000. He has paid nothing on either of those, nor is there even any

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acknowledged obligation on the second 23-, 24-

Q: Did you have an understanding or belief there would be a repayment on those funds?

A: On the 50,000, yes.

Q: What about on the -

A: I don't believe we discussed it. He needed that.

It was like giving money to chase other money.

Q: The latter funds were to assist him in being able to repay the earlier funds?

A: Exactly, which has not happened, and that has been approximately five years or more.

Q: The funds to Judge Anderson, there was no discussion of any repayment?

A: Absolutely not.

Q: Are there any similar gifts that you have extended to anyone in the past five years?

MR. SLOAN: Including family members?

MR. TAYLOR: Putting aside family members for the time-being.

A: Yes. I invested - purchased some equipment and leased back some equipment to a firm called Wood Toys, Inc., in Puyallup. It was a client of Sloan, Bobrick & Oldfield. One of the partners asked me to look at this as a consultant. I don't have any ability to look at something as a consultant and charge fees. I never felt

(1) comfortable with that. If I am going to risk, I am going to risk my own money. So I put some money in that, in excess of \$50,000.

Q: 50 or 15?

A: 50.

I believe it was 65, to be exact.

Subsequent to that, all of the assets were deeded, the value of those assets, not nearly \$65,000. I formed a

new corporation; I paid all of the fees; I paid 5- and

\$10,000 amounts to eliminate their personal liabilities

with no expectation of payment, not even a request for

payment, and these people were just introduced to me. I

don't want this to get out, though, okay.

Since then, I have invested in that corporation

approximately 75- to a hundred thousand dollars, all of

which have gone to solve the opportunity of the Hollands to

make this company a success where they work, under my

tutorage, with my money, with the idea that I would get back

my original \$65,000, and they could have this corporation

back with the payment of no other funds.

I have invested and co-signed on a transaction

introduced to me by yet another friend in an auto parts

corporation in Tacoma, very nice fella and his wife. I met

them. The result of that, within 120 days, was that I had

co-signed a 400,000 - I'm sorry, \$300,000 and invested a

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hundred thousand dollars of my own money. I paid all of the

costs with this acquisition out of my pocket and I paid - I

have now loaned them some \$15,000 without even the benefit

of a note to help them get through bankruptcy personally and

purchase a home which I have agreed to co-sign for them

which they can't because of their bankruptcy.

Q: Let me ask you to focus, if you will, on

significant gifts made to people with whom you are not

transacting business.

A: I have gifted - just wrote a check last month for

a hundred thousand dollars to the Clover Park Technical

College Foundation. I was asked to get involved as a trust

- a foundation foreman director in '91-'92. I had become

so impressed with the school and what it does that I

accepted a request to be a trustee at the college. I have

established scholarships for the students. I have gifted

for three or four years running 5- to \$10,000 worth of

valued gifts to be auctioned off, the proceeds to go to the

foundation for the benefit of the students.

Q: Have you ever made a gift to someone who was on

the other side of a business transaction with you?

A: Not that I am specifically aware of, no.

Q: The only one would be Judge Anderson?

A: I didn't think of Judge Anderson as being on the

other side of a business transaction.

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Q: Would you agree that he was on the other side of a transaction?

A: Yes.

Q: He was the seller and you were the buyer?

A: He was the decision-maker of the entity that sold

it, yes.

Q: You have no recollection of ever having paid a

gift other than this situation, to someone who was on the

other side of a business transaction from you, is that

correct?

A: That's correct.

(Exhibit 3 marked

for identification.)

(Discussion off the record.)

Q: Exhibit 3 is the final version of the Business

Acquisition and Lease Agreement.

A: Yes, it is.

Q: Other than your signature, in an individual

capacity, in addition to as president of Pacific Recreation,

Inc., are there any differences between these two documents?

A: My recollection was that the purpose of this

agreement - it memorialized in a typewritten form what I

had put in a written form and paragraph 13 d is different.

Q: Any other differences?

A: Nothing that I recall.

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(1) Q: Jumping ahead then -
(2) (Exhibit 4 marked
(3) for identification.)
(4) (Short recess.)
(5) Q: Exhibit 4, do you recognize that?
(6) A: Yes, I do.
(7) Q: What is Exhibit 4?
(8) A: It is the original closing statement of the
(9) purchase of the business and some fixtures from Pacific
(10) Lanes, Inc., by Pacific Recreation Enterprises, Inc.
(11) Q: This is a closing statement for the purchase of
(12) the operation?
(13) A: The operation and the figures, as opposed to the
(14) real estate.
(15) (Exhibit 5 marked
(16) for identification.)
(17) Q: What is Exhibit 5?
(18) A: Exhibit 5 is a memorandum from Kevin Iverson, a
(19) partner in Friend & Iverson, and I believe at the time it
(20) was called Friend & Associates, CPA, for Pacific Lanes.
(21) Q: When was it prepared?
(22) A: I believe this was prepared in the spring of '93.
(23) Q: Can you tell that in the entries on Exhibit 5?
(24) A: It would have had to have taken place after the
(25) end of the calendar year of Pacific Lanes, Inc., which was

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(1) December 31st.
(2) Q: For what purpose was this prepared?
(3) A: This was a fulfillment of a commitment, an
(4) arrangement between the estate, via Grant Anderson, and
(5) myself, to close the purchase of Pacific Lanes - to close
(6) this transaction by September 1st, 1992.
(7) Q: Is that -
(8) A: The notation at the top says, "This was per
(9) discussions." The discussions that took place took place
(10) in the fall of 1992, and the commitment to buy the business
(11) was very relative to closing it by September 1st because
(12) that is the beginning of the bowling season. That is why
(13) the earnest money agreements that you referred to, as
(14) previous exhibits, are different, number 1 and number 3, in
(15) that one paragraph.
(16) Q: It says, "Per discussions with Grant Anderson and
(17) Bill Hamilton," do you understand Mr. Iverson to be
(18) referring to pre-1993 conversations?
(19) A: Grant Anderson and Bill Hamilton, to the best of
(20) my knowledge, never met with Kevin Iverson together. It
(21) might refer to discussions that he had with Grant Anderson,
(22) on the one hand and me, on another hand, understanding the
(23) commitments that were made with the purchase.
(24) Q: What were those commitments?
(25) A: Well, that the operation, from September 1st, '92,

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(1) on, be my operation.
(2) Q: Is that reflected anywhere in writing?
(3) A: The draft of the agreement so states.
(4) Q: That clause of the draft was -
(5) A: Paragraph - Exhibit 1, I believe it was.
(6) Q: Paragraph 13 d?
(7) A: Where it says it is closing no later than
(8) September 1.
(9) Q: That term of the transaction was subsequently
(10) changed, was it not?
(11) A: Well, it wasn't changed; it was redrafted for the
(12) benefit of the regulatory agencies since we obviously had
(13) not closed formally since I can't close until you receive
(14) your gambling and liquor approvals and the tardiness with
(15) which these applications were being dealt with is through
(16) Mr. Schafer's office and the accounting office that I was
(17) using to prepare them caused the necessity of redrafting
(18) this agreement for their purposes to kind of leave the
(19) closing date open. Otherwise, we were beyond the closing
(20) date and that caused them some concern.
(21) Q: If you could walk me through Exhibit 5.
(22) A: I don't know that I could take you line by line
(23) through Exhibit 5. I might be able to.
(24) Q: Let me ask it this way. Tentative purchase price
(25) adjustment \$131,137. Was that an increase in the purchase

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(1) price or a decrease?
(2) A: It didn't have anything to do with the purchase
(3) price; it is the way the accountant chose to do it for the
(4) estate purposes. He was their accountant.
(5) My understanding of this was, A, I wanted the
(6) beginning of the season. It is a short season. You don't
(7) want to buy a bowling alley at the end of the season because
(8) the gross goes down to 20, 25 percent. The expenses remain
(9) the same. That I was able to determine in reviewing the
(10) financial information that I was provided. So it was
(11) material to me.
(12) So Anderson and I agreed that we would close by
(13) September 30 - excuse me, by August 30 for possession
(14) September 1. When the approvals were not forthcoming within
(15) that period of time, and there was no real reason for that,
(16) as it turns out; they were all reasons of some bureaucrat
(17) went on vacation and didn't leave any continuity or
(18) maternity leave or something of that nature and the ball got
(19) dropped.
(20) So I took over management on an agreement and
(21) started throwing my own money in the account of Pacific
(22) Lanes, Incorporated, with the understanding that whatever
(23) funds that that corporation took out of that operation
(24) and/or my donated capital would be adjusted when we
(25) ultimately did close, and, ultimately, I believe we were so

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(1) close to October-November that the determination of when to
(2) close was left up, since the arrangement had already been
(3) made, to just finishing out their books and making an
(4) after-closing adjustment.
(5) They could have written me a check for the
(6) so-called gross profit that was generated in that four-month
(7) period of time, and, for their purposes, they chose to deal
(8) with it as an adjustment to the purchase price rather than
(9) run it through the income stream.
(10) Q: If I understand this, before the transaction
(11) closed, you or an entity controlled by you put money into
(12) Pacific Lanes?
(13) A: Yes, I was spending money on the facility.
(14) Q: Did the money go into Pacific Lanes and then was
(15) expended, or how did this work?
(16) A: I can't recall specifically. I don't believe that
(17) I put a lot of cash into their account, if any. I believe
(18) what I did do was start making the physical improvements
(19) that were necessary to keep the place standing.
(20) Q: Then you received a deduct on the purchase price?
(21) A: Actually, this had nothing to do with that capital
(22) infusion. That was just a trust thing between myself and
(23) Grant. We had made a deal. It was my money. So
(24) therefore, I can do what I will with my money.
(25) If I want to throw it into a facility that someone

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(1) else still owed - owned, excuse me, reasonable minds can
(2) differ as to the wisdom of that. You would think eventually
(3) I would learn. As it turned out, in this instance, it was
(4) no harm and no foul. This had to do with the operation of
(5) the business.
(6) Q: When you say "this," you are referring to the
(7) Exhibit 5 adjustment?
(8) A: Yes; strictly had to do with revenues flowing into
(9) the business from the operation of the bowling facility and
(10) the expenses both to do with the operation of the facility
(11) and to do with commitments made by the estate. We ran
(12) estate obligations that had little or nothing to do with the
(13) bowling lane through that cash flow.
(14) Q: Let me back up. We have got the adjustments
(15) described in Exhibit 5. Separate and apart from those, you
(16) were making capital expenditures on the facility?
(17) A: On the facility, that's correct.
(18) Q: Those were before it closed?
(19) A: By my best recollection, yes.
(20) Q: How much?
(21) A: Six figures, but I can't tell you exactly how
(22) much.
(23) Q: And this was while it was still owned by Hoffman,
(24) Inc.?
(25) A: Hoffman-Stevenson, Inc.

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Q: And where is that document?
A: I don't know that it is documented.
Q: How was it arranged or agreed upon between you and Judge - then Grant - Anderson?
A: That by virtue of the contract and our understanding it would close September 1st. When it couldn't officially close, I managed it. When I managed it, I was responsible, I guess, for the results of my management. It didn't - it never entered my mind then or now that it wouldn't close officially. There was nothing significant in my mind about the official closing date. That was strictly to do with little people, with little problems at some regulatory agency. It had nothing to do with the operation of this business and the fact that I could not close - I could not sign the closing papers, nor could he, this was clerical - these were clerical problems.
Q: Putting aside the little people with the little problems, what kind of capital expenditures were made prior to close?
A: As I say, my best recollection was it was six figures, and I could be wrong.
Q: For what?
A: Oh, gosh, painting, repair of broken heating and cooling facilities. I believe we were under construction for a cocktail lounge. I was doing the regulatory work for

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that; architectural work; lane refinishing.
Q: How did you know that this work had to be done?
A: Because I finally looked at it and finally talked to the people that worked there that could influence me to recognize that, talked to tradesmen that had been, so-called, taking care of the lanes for 20 years.
Q: Maybe I misunderstood. Earlier, I thought you said you hadn't done any due diligence.
A: I didn't until after I agreed to buy it. I knew there were some cosmetic things that I was going to do. Did I have an estimate of what I was going to spend in there?
No. I figured it would be a few hundred thousand.
Q: And your agreement with Grant Anderson, you are making these capital expenditures and these were being made by, what, Pacific Recreation?
A: They were actually being made by me. I am not even sure Pacific Recreation had an account that I was funneling the money through.
Q: By you individually?
A: By me individually. Ultimately, they were accounted for as loans to Pacific Rec, so structured.
Q: Loans by you to Pacific -
A: That's correct.
Q: What was your understanding with Mr. Anderson as far as repayment of those expenditures in the event you

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didn't exercise the option to purchase?
A: There was no understanding. Those would have been my - it had nothing to do with the option to purchase. These were leasehold improvements that were being made by Pacific Rec through me. These barriers, Mr. Taylor, between individual corporation, things of that nature, are barriers that exist but not in a practical sense. They exist in a literal sense, I guess.
Q: These capital expenditures then ultimately were treated on Pacific Rec's books as a loan from you to the corporation?
A: That's correct.
Q: Beyond the capital expenditures, would there be anything else in the books on Pacific Recreation that would reflect a loan from you to Pacific Recreation?
A: I loaned Pacific Recreation a lot of money.
Q: Is there any way to isolate out of the books these amounts?
A: I don't believe so.
Q: Let's go back to Exhibit 5. Is the net effect or was the net effect of Exhibit 5 that there was a price adjustment in the purchase of the business operation?
A: That was the election of the accountant for Pacific Lanes, Inc., that that was the way to handle this for the monies that were generated, the operating profits

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that were generated, in the four-month period that I was involved.
MR. SLOAN: Are you asking him did he ultimately pay less or more than the initial price -
MR. TAYLOR: Correct.
MR. SLOAN: - because of this activity?
A: He already asked that question.
MR. SLOAN: Your answer is -
THE WITNESS: No.
A: I didn't pay any less. That is the way they elected to handle it accountingwise.
Q: Let me ask it this way: You agreed to pay 300,000 for the operation?
A: That's correct.
Q: This calculation of \$131,137, does that mean that you were credited that amount in paying the 300,000?
A: I can't answer that specifically.
Q: Let me ask it a different way: How much did you pay ultimately for Pacific Lanes?
A: 300,000.
Q: How much cash did you give to pay Pacific Lanes?
A: I paid \$50,000 down. I paid a monthly payment for a number of months, and then, ultimately, paid a final payment at the time I financed the operation in total in 1993 - in the fall or winter of 1993, and I don't remember that

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specific amount.
Q: Bear with me. I am still confused by Exhibit 5.
A: These were my monies that are reflected here. In other words, under my management, what this says is - you see line 3 down there it says, "Net income, August financial statement." That was Pacific Lanes' financial statement. They had a loss for the first eight months of that year of \$95,000, okay. As of the end of December, four months later, the net loss had gone down \$50,000, but it was still a net loss which is just a point of fact, which meant that -
Q: You made 45,000?
A: - out of my efforts, the business made \$45,000.
Q: When did you take over the operations?
A: September 1st. I took over management. I want to make that very clear, not the ownership.
Q: Louise Pagni began to report to you as of September 1?
A: That is correct.
Q: What I still don't understand - and I apologize for not understanding - you came up with a tentative purchase price adjustment of \$131,000?
A: I don't believe that was the dollar amount of the adjustment, but I can't say that specifically.
Q: The adjustment, without getting into the exact

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dollar amount, what was the adjustment, how was it effectuated and what was the net result?
A: My recollection is that the estate's accountant took their purchase price from 300,000 down to 200 and change. I want to say it was under 210.
Q: You mean the amount they were to receive?
A: Yes.
Q: So -
A: Then I made a 50 - I had already made a \$50,000 down payment. These adjustment were made, gosh, six months after the event, and it had to do with their accounting requirements taxwise, vis-a-vis taxes, which I don't understand what their position was. So the net effect was that the business was sold, not reflected at 300,000 on their books, but at 2- and change, less the \$50,000 down payment which resulted in a 150-some-thousand-dollar balance. And then the \$3500 a month was applied to that and it was that note that I ultimately paid off when I - I won't even use the word "exercise" my option because I never exercised my option when I purchased the real estate from Hoffman-Stevenson, Inc., the following year.
Q: I still don't understand. Was there a reduction in the purchase price from the 300,000 to some lesser amount based on a post-closing adjustment?
A: I believe, for accounting purposes, it was

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(1) reflected that way.
(2) Q: I don't want to ask "for accounting purposes,"
(3) the amount of money that you paid out.
(4) A: No. No. Through my efforts, they received this
(5) \$131,000. They just received it as an advance payment.
(6) This was under my tutorage of the corporation. They
(7) received the \$50,000 from me; they received \$131,000 through
(8) their own checking account because the monies that were
(9) generated during my management were left there. I
(10) didn't pull the money out and turn around and write them a
(11) check.
(12) Q: So in making the purchase of the operation, you
(13) were credited with \$131,000 that was generated during the
(14) time that you managed it?
(15) A: That is probably an accurate statement. I don't
(16) know that that is the right dollar amount, but I was
(17) credited some dollar amount.
(18) Q: Whether the dollar amount is accurate, you got
(19) credit for that dollar value in the purchase price?
(20) A: That's correct.
(21) Q: We got September through December, profit of
(22) \$45,000.
(23) A: Uh-huh.
(24) Q: And you were given credit for that because it was
(25) under your management?

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(1) A: That's correct.
(2) Q: Who assisted you in managing it during that
(3) period?
(4) A: The people that were hired, that were on the
(5) payroll still.
(6) Q: Judge Anderson was involved in the management of
(7) the facility at that point still, was he not?
(8) A: No, he wasn't.
(9) Q: Members of Judge Anderson's firm were involved in
(10) management of the facility, were they not?
(11) A: People related to Judge Anderson, no doubt, were
(12) communicating with the people that worked there because they
(13) were also reporting to them. But, in the day-to-day
(14) operation on how to spend the money and what to buy and
(15) where to spend it, at least I assumed they were reporting to
(16) me. I knew that they were still -- officially it was still
(17) owned by that corporation, by Pacific Lanes, Inc., and that
(18) was still handled by the estate. So, therefore, the
(19) financial reports and things that were being generated by
(20) the accountant and the in-house people were being
(21) transmitted to them.
(22) Since they were making no capital expenditures,
(23) per se, from that point on, of their monies, I don't know
(24) how much decision-making process there was. I mean, I met
(25) with people to do with the law firm infrequently, but

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(1) nonetheless, I had met with them. As long as I was spending
(2) my own money, I don't think anybody particularly cared. I
(3) can't speak for them, but it was my money. So I could do
(4) what I wanted to do.
(5) Q: So you got a credit back for income generated
(6) during this preclose period. You did not get a credit for
(7) capital expenditures?
(8) A: No, because they were -- I never would have. It
(9) was the operation of the business that was critical to close
(10) by September 1, in my mind.
(11) Q: The next -- we have got an add-back of fair market
(12) rent, 24,000. What does that mean?
(13) A: I don't know how these adjustments were
(14) determined.
(15) Q: Putting aside the exact dollar amount --
(16) A: \$24,000 is four months at \$6,000 a month.
(17) Obviously, out of the operation of this facility, under my
(18) tutorage, there was \$6,000 a month paid to or left behind in
(19) that account for the benefit of the estate.
(20) Q: Pacific Lanes had a lease with Hoffman-Stevenson?
(21) A: Pacific Lanes, Inc., I don't know that they had a
(22) lease or not. Pacific Rec. So we accounted for this as if
(23) it had closed September 1st.
(24) Q: Just one second.
(25) Prior to your acquisition of the operation, the

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(1) operation was owned by --
(2) A: Pacific Lanes, Inc.
(3) Q: Pacific Lanes, Inc.
(4) Pacific Lanes, Inc., was paying rent to
(5) Hoffman-Stevenson, Inc.?
(6) A: So I understand.
(7) Q: From September 1st on, Pacific Lanes continued to
(8) pay rent to Hoffman-Stevenson?
(9) A: That's correct.
(10) Q: And then you, as purchaser, got credit for that,
(11) ultimately?
(12) A: Starting September 1st, it was accounted as if it
(13) were my operation, and I owed Pacific Rec -- Pacific Rec
(14) owed Hoffman-Stevenson, Inc., \$6,000 a month pursuant to this
(15) same acquisition agreement, beginning September 1st.
(16) MR. SLOAN: Paragraph 2.
(17) Q: The lease didn't go into effect -- the lease
(18) didn't go into effect until December of '92?
(19) A: Actually, it went into effect January 1st. That
(20) is the official closing. We signed the papers in December
(21) for an official closing of January 1st. But, in effect,
(22) from accounting purposes -- and I know you don't really like
(23) to hear that but that is really what happened --
(24) effectively, we took over December 1st. It was as if
(25) Pacific Rec owed the \$24,000, and, in fact, the corporation,

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(1) the selling corporation, had had all of the money in their
(2) account, and this is the accountant adjusting those dollars
(3) since none of the dollars generated were given to me. I
(4) didn't take them. It was a prepayment, as it were, on the
(5) \$300,000 purchase price, not accounted for in the contract
(6) in any way.
(7) Q: Pacific Recreation did not pay \$24,000 in rent
(8) from September through December?
(9) A: Absolutely not, that's correct.
(10) Q: And given the transaction did not close until --
(11) A: Officially, that's correct, until January 1st, but
(12) all of the money generated from September 1st to December
(13) 31st stayed in the Pacific Lanes Incorporated, account
(14) and/or was transferred to Hoffman-Stevenson, as they had
(15) done in the past, and I don't know on what schedule that
(16) was. The accountant then adjusted those revenues as he
(17) completed the accounting for Pacific Lanes, Inc., in their
(18) last year. He took all of the revenues from September 1st
(19) through 12-31, broke them down as to where they went. There
(20) were many things that were coming out of that account that
(21) had nothing to do if I had been owning it.
(22) One thing that comes specifically to mind, there
(23) was an almost \$10,000 fine to the Gambling Commission as a
(24) result of an audit that took place when Chuck Hoffman was
(25) alive even, and the employees, management, just wrote a

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(1) check out of that account as if it was their money. I
(2) didn't even know that until the accountant disclosed that.
(3) That is the kind of adjustment that took place.
(4) Q: You got credit for the money that was made from
(5) October through December, right?
(6) A: From September 1st through December, four months.
(7) Q: Under your arrangement with Grant Anderson, what
(8) was the situation if there had been a loss; would that have
(9) increased the purchase price?
(10) A: I presume it would have, yes.
(11) Q: Was that ever discussed?
(12) A: No, because, at this time of the year, there had
(13) never been a loss at this time of the year.
(14) Q: Tell me if I am wrong. The structure of the
(15) transaction, as I understand it, all of the risk was on
(16) Pacific Lanes?
(17) A: No. All of the risk was on me because of the
(18) agreement that I had made that I would generate -- I would
(19) get the profit and I would, no doubt, have to fund the loss.
(20) Q: That is an agreement that appears nowhere in
(21) writing?
(22) A: Nowhere. That is what the September 1st closing
(23) meant.
(24) Q: There is an entry for excess legal and accounting
(25) for 14,600. Putting aside the 14,600, what is that entry

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1) for?

2) A: That entry, as I recall, was of the accountant's
3) extrapolation of the accounting and legal fees that I
4) generated, as opposed to the accounting and legal fees that
5) were paid through the account. In other words, if I had
6) owned that operation, which was the intent as of September
7) 1st, I wouldn't have paid Fisher's firm, as an example, but
8) the money was paid out of it there.

9) Q: So you got credit for legal fees that you expended
10) in connection with the transaction?

11) A: Out of the operation of the business, everything
12) that was legitimately my expense and my income was accounted
13) for. These dollars represent those expenses and incomes
14) that were not something that would have been generated had I
15) closed September 1st which was the intent. But, yet, the
16) monies were expended out of those funds. In other words, if
17) you just look at an overview, it made \$45,000, and, when you
18) add back in the expenses that were not relative to my
19) ownership but the funds nonetheless disappeared, then it
20) would have made 131,000.

21) Q: Why wasn't depreciation relative to your
22) ownership?

23) A: Again, I can't answer - maybe that was excess
24) depreciation as a result of their accounting, rather than my
25) accounting.

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1) Q: The excess legal and accounting is legal and
2) accounting fees that took place from September 1 to December
3) 31; is that right?

4) A: That's correct.

5) Q: And that someone decided you shouldn't have to
6) pay?

7) A: The accountant made that determination knowing
8) that I - if I owned it, I would not be paying any fees
9) relative to the estate matters, relative to representation
10) by Tuell, Anderson, Fisher, et cetera.

11) Q: These legal fees, what were they for?

12) A: I have no idea. They weren't mine; yet there were
13) checks being written out of that money on a basis for
14) services rendered that I am sure that they would or can
15) account for, "they," the recipients, the managers of the
16) estate. Maybe it was their management fee. I don't know
17) what the arrangements are or the amount of fees or how the
18) funds were accounted for as it relates to the representation
19) of the estate and the various corporations.

20) Q: As the de facto owner, did you make any effort to
21) determine what legal fees were being incurred by the entity?

22) A: No, not at the time, because I didn't know these
23) expenses were going on. I didn't go in and check the
24) checkbook every day.

25) Q: What were you doing as the de facto owner?

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1) A: I was spending money, is what I was doing, which
2) is what I always do. I was looking - the operation of the
3) business had been doing things one way since the inception
4) of the business in 1959. Mrs. Pagni had been there that
5) length of time. Her daughter had come and gone and come
6) again. One of the relative things that was important to
7) Mr. Anderson was that these people, who had kept this
8) afloat, after the untimely demise of Mr. Hoffman, be
9) rewarded at least with employment. So I had committed to
10) leave them there and to monitor this activity through the
11) accountant. This thing hadn't even had an accountant.

12) So I was working with the accountant who was
13) getting the checkbook, taking a look at the expenditures and
14) classifying them all along as to where they ultimately would
15) be - where they ultimately belonged. And we are talking
16) about a very short period of time. And it was after the end
17) of the year when all of the expenses for the entire year
18) were put in there that he went back and extrapolated. This
19) was an agreement that he was aware of, and he made those
20) adjustments. I never have then and I haven't since ever sat
21) down and asked him to explain this. I accepted this because
22) that is his job; he represented the seller, and, ultimately,
23) represented me as the buyer.

24) Q: The accountant?

25) A: The accountant. I am not qualified to delve back

1) into those entries and determine what needs to be adjusted.
2) He knew the deal. It was I pay \$300,000 and I put 50,000
3) down and I make a \$3500 payment on the note and I make a
4) \$6,000 payment on the lease to these two corporations. The
5) amount of cash that flowed in and out of this account, I
6) didn't exercise any control over because, ultimately, it would
7) have been accounted for after the fact and, in fact, was done.

8) Q: When did you and Grant Anderson negotiate the
9) ground rules for the allocations that are reflected in
10) Exhibit 5?

11) A: When we discussed the purchase and acquisition
12) agreement that is reflected in those two exhibits. That is
13) where the September 1st - it was in the one that we signed
14) in August. That is why September 1st was important. We
15) didn't negotiate that in August. This transaction was
16) struck probably months before. It was just at the filing of
17) these applications, the formation of the corporation, the
18) pecking order in which things had to take place didn't
19) happen as quickly as I, at least, might have anticipated
20) because I don't understand those routine matters.

21) Q: Let me proceed through this then.

22) It says, "Add payments made by Pacific Recreation
23) Enterprises on behalf of Pacific Lanes." Did Pacific
24) Recreation put money into Pacific Lanes which was thereafter
25) paid out, or did Pacific Recreation make payments directly

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1) on behalf of Pacific Lanes?

2) A: I don't believe either of those. I believe, out
3) of the revenues that were generated by the operation of the
4) bowling facility, these funds were expended on behalf of
5) Pacific Lanes, Inc., out of the revenues that belonged to
6) Pacific Recreation, Inc. That is what I believe this
7) represents.

8) Q: Pacific Recreation made X-amount of dollars. Out
9) of that - I'm sorry, Pacific Lanes made X-amount of
10) dollars. Out of that it paid fourth quarter business and
11) payroll taxes of \$23,000?

12) A: That is what it says.

13) Q: Whatever the number is, plus or minus.
14) And you got credit for that in your purchase
15) price?

16) A: I don't know which fourth quarter they are
17) talking about, either.

18) Q: Well, we can presume it would have been the fourth
19) quarter of '92?

20) A: If it was fourth quarter of '92, then those
21) revenues would have justifiably had to be - I would have
22) had to pay those taxes if they were revenues generated
23) during my stewardship. Quite frankly, I think this is maybe
24) the first or the second time I have ever even seen this
25) exhibit. That's a - that is a question that I guess I

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1) would ask is, if - were those legitimately my expenses. If
2) it was for fourth quarter of '92, I would think that those
3) taxes would have been owed by me and therefore not an
4) adjustment. Again, I would only say that maybe the question
5) - these questions should be asked of the man that prepared
6) the document.

7) Q: It says up at the top he prepared it pursuant to
8) discussions with you and Judge Anderson.

9) A: The discussions that were referred to, as I
10) mentioned in the very beginning, was the explanation of the
11) closing of the transaction effective September 1st, 1992.

12) That was -

13) Q: How did the accountant know how to allocate a
14) payment to the beneficiary of the estate?

15) A: Because the money came out of here and it had
16) nothing to do with my ownership.

17) Q: The money came -

18) A: Out of the revenues generated during my ownership.

19) Q: Let me back up. The accountant who did this was
20) Kevin Iverson?

21) A: That's correct.

22) Q: Was he given any written guidelines as to how to
23) do this?

24) A: I believe he was given a copy of the document.

25) Q: Which document?

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(1) A: The purchase and sale agreement. He understood
(2) that, for accounting purposes, effective September 1st, the
(3) transaction closed. All revenues and all expenses, relative
(4) to the operation of that business, would be left with that
(5) account, and all revenues, if there were any, and all
(6) expenses that had nothing to do with the day-to-day
(7) operation of that, would be eliminated.
(8) Q: Would you agree that, as a matter of economic
(9) substance, from September 1st going forward -
(10) MR. SLOAN: Going forward?
(11) MR. TAYLOR: Going forward - and thereafter.
(12) MR. SLOAN: Okay.
(13) Q: - any legal services performed by Grant
(14) Anderson's law firm for the bowling alley operation were for
(15) your benefit because you were the owner in substance, as you
(16) have described?
(17) A: I can't respond to what they did for the bowling
(18) alley corporation or the Hoffman-Stevenson, Inc.,
(19) corporation, or the estate or the beach, as they refer to
(20) Long Beach, and those affairs that were owned by
(21) Hoffman-Stevenson, Inc. I am not familiar with what they
(22) did during that period of time and how they would have
(23) billed that. This would indicate to me, though, \$14,600,
(24) paid from the revenues of the estate assets to that firm. I
(25) know that I didn't owe them any money. Therefore, if there

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(1) were any checks payable to them, it had nothing do with my
(2) ownership. And that is why the adjustment was made. Yet
(3) the cash was there, so, therefore, that is where they
(4) brought the money from.
(5) I suppose maybe a better way to have presented
(6) this probably would have been a formal rental agreement or
(7) management agreement.
(8) MR. SLOAN: I think you are straying at this
(9) point. Let's go off the record for a second.
(10) (Discussion off the record.)
(11) MR. SLOAN: Here is what I am asking, Paul,
(12) why would they pay two months' insurance, for example? It
(13) doesn't make sense to me.
(14) MR. TAYLOR: That is what I am trying to find
(15) out.
(16) A: I can answer that. If you want to go on the
(17) record, I can answer that.
(18) Q: We are on the record. Please, why the two months'
(19) insurance?
(20) A: The insurance premium for the ownership period of
(21) January through August, the premium earned by the insurance
(22) company, was an expense of the estate ownership of that
(23) corporation, okay. I can't tell you the dates of the
(24) insurance policies, whether they run from calendar year or
(25) some other dates. I can tell you that the amount of

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(1) insurance premium that was paid after September 1st probably
(2) exceeded the four months in value of that insurance. If you
(3) look at a 12-month period, divide by 12 and multiply times
(4) four, the amount of dollars that went out of the account
(5) exceeded four months of insurance because they were paying
(6) in if arrears. That is my recollection or interpretation of
(7) what that number meant.
(8) Q: Did you discuss this document with Judge Anderson
(9) before you came here today?
(10) A: No.
(11) Q: Have you ever discussed this document with Judge
(12) Anderson?
(13) A: Not that I recall.
(14) Q: Have you discussed it with Judge Anderson within
(15) the past two months?
(16) A: Not that I recall.
(17) Q: Did you talk to Judge Anderson following his
(18) deposition?
(19) A: I told him that I was coming up here.
(20) Q: Following his deposition, did you talk with him?
(21) A: I must have.
(22) Q: Did you discuss the substance of his testimony
(23) with him?
(24) A: No, I did not.
(25) Q: In any way, shape or form?

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(1) A: No, I did not.
(2) MR. SLOAN: Are you going to finish in a
(3) now-half-an-hour?
(4) MR. TAYLOR: Off the record.
(5) (Discussion off the record.)
(6) Q: Let me go back to Exhibit 5, Mr. Hamilton. The
(7) adding back of the September through December profit,
(8) putting aside the particular numbers and whether it was
(9) higher or lower than 45,000, was the principle that they
(10) were going to treat you as having owned it as of September
(11) 1st; therefore, you should get the rights to the profits
(12) that accrued in September through December?
(13) A: That is the question?
(14) Q: Yes.
(15) A: Was that the principle of the agreement? Yes, the
(16) profits or the losses.
(17) Q: That I understand. Depreciation of \$25,000, why
(18) did you get the benefit of that?
(19) A: That -
(20) Q: The thought being if it had closed September 1,
(21) you would have taken that depreciation on your books?
(22) A: Without knowing the basis of that depreciation,
(23) which that was a basis on my cost basis or a depreciation on
(24) their cost basis, that number was what was charged to the
(25) operating statement as an expense. I am going to presume

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(1) it was on their asset base; therefore, it wouldn't have been
(2) my expense. So, since depreciation is a deduction, it
(3) needed to be added back on because it had nothing to do with
(4) my operation. It had to do with their ownership.
(5) Q: This "Excess legal and accounting," this was money
(6) that was paid out of Pacific Recreation?
(7) A: Money that was paid out of this account which was
(8) still Pacific Lanes. All of this -
(9) Q: Pacific Lanes, I am sorry.
(10) A: Right. That was not relative to the
(11) operation of the business from September 1st to December
(12) 31st, as it related to me.
(13) Q: But you weren't buying the cash on hand of the
(14) operation, were you?
(15) A: I did, yes. I think, if you look at the closing
(16) statement, you will see an adjustment where it says "buy
(17) bank" of something for \$5,000 or something.
(18) Q: Take a look back at Exhibit 3, paragraph 11. You
(19) weren't buying the cash. Maybe I understood you to be
(20) testifying that you were going to buy it, but, as I read
(21) this, it says you did not buy it?
(22) A: The point was, for \$300,000, I didn't buy their cash
(23) or receivables. What I bought was the inventory, equipment
(24) and goodwill.
(25) As a completely separate matter, on the day of

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(1) closing, there is an amount of cash in the building, till
(2) cash, which is referred to as bank. Different people refer
(3) to it different ways. I wrote them a check for that amount
(4) of money, rather than them take their cash and you run
(5) across the street to the bank, the real bank, and cash a
(6) check.
(7) Q: Till cash was, presumably, a couple thousand bucks
(8) maybe?
(9) A: It was 5,000 bucks. There is an impressed amount.
(10) That is the way these businesses are.
(11) Q: But going back to this excess legal and
(12) accounting, this reduced the amount of cash that was in the
(13) business for Pacific Recreation?
(14) A: Right.
(15) Q: Why did you get credit for that if you weren't
(16) buying that cash?
(17) A: Because it was out of my operation. Let me make
(18) an overstatement that might make some sense here hopefully.
(19) I thought about this.
(20) Out of all of the assets of the estate of Charles
(21) Hoffman, the only source of cash, the only source of
(22) revenues - I hate to use the word "revenues" because that
(23) would imply net - the only source of money, of any
(24) substance, was the bowling alley. It is a cash business.
(25) So, for all the activities of Hoffman-Stevenson, Inc., or

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1) Pacific Lanes, Inc., or anything else that had to do with
2) that estate, all of the obligations had to be funded out of
3) this one source.
4) So, if I had been able to close, I would have
5) taken the revenues on my books, paid the expenses that were
6) indigent to mine, and I would have had a net amount left
7) over, and they would have gotten their payments of \$9500 a
8) month and that is the end, and that is what did happen
9) beginning January 1st, 1993.
10) Prior to that time, though, since I couldn't
11) officially close, it had to be operated under their licenses
12) and their corporate entity. So, all of these monies went
13) into an account under their control, not under my control.
14) We had an agreement whereby the funds or the losses were
15) mine. So, as they paid expenses that had nothing to do with
16) the bowling alley or the bowling alley operation, that is,
17) buying booze and buying shoes and buying balls and paying
18) wages and things of this nature, as they withdrew those
19) funds, totally under their control, there had to be an
20) adjustment for that.
21) So, either they owed me 131,000, if that is in
22) fact the ultimate adjustment, or I took a prepayment credit.
23) And I had agreed that I would take the prepayment credit.
24) Now, if you follow that point from September 1st on, this
25) operation then made money for another month or so and then

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1) it goes into the tank and it loses \$50,000 a month. It is a
2) race to the end of the year, as is indicated by that \$95,000
3) number upfront. It was \$95,000 in the hole as of the first
4) of September.
5) Even though they used a calendar year, I chose a
6) fiscal year that more accurately reflected the season,
7) rather than some arbitrary number.
8) Q: For all intense and purposes, were you in control
9) of the operation of the bowling alley as of September 1,
10) 1992?
11) A: Yes, the day-to-day decisions of the bowling
12) alley, regarding just the bowling alley, were made by me.
13) Q: That includes all aspects of the operation of the
14) bowling alley, restaurant?
15) A: Yes, day-to-day operation, not their corporation.
16) Q: You had not yet received approval for transfer,
17) for example, of the liquor license from -
18) A: For the creation of the liquor license for my
19) corporation. I wasn't buying their corporation. I wasn't
20) transferring. It was a brand-new license.
21) Q: Liquor license in place?
22) A: Same thing; I had to create my own liquor license.
23) Their licenses were in place. So I just managed that
24) operation under their licenses which was a permissible
25) activity.

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1) Q: That was my next question. You concluded it was a
2) permissible activity?
3) A: That's correct.
4) Q: How did you so conclude?
5) A: Because there wasn't any change of ownership. At
6) When you enter into an earnest money agreement, you can take
7) over an operation with the knowledge of the commissions.
8) Q: So, as I understand it, for purposes of the liquor
9) license, presumably the gambling license, there was no
10) change in ownership?
11) A: Exactly.
12) Q: For purposes of the price paid, there was a change
13) in ownership effectively?
14) A: No. For purposes of the operation of the
15) facility there was a change of ownership.
16) Q: State simply then, is it correct for some
17) purposes, you and Judge Anderson acted as though there had
18) been a change in ownership, and for other purposes, you did
19) not act as though there had been a change in ownership, is
20) that a simple way to describe it?
21) A: That is a simple description, yes.
22) Q: And an accurate description?
23) A: By my understanding, yes.
24) Q: Was there disclosure to the State Gambling
25) Commission of this arrangement, that is, de facto ownership,

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1) let's call it?
2) A: I can't recall.
3) Q: In fact, the reason the transaction did not close
4) is because the requisite permits from the State Gambling
5) Commission and the State Liquor Board had not been received;
6) is that right?
7) A: That was the reason that I couldn't close. I know
8) the liquor agency was aware of that.
9) Q: Aware of what?
10) A: That I was there, as was the Gambling Commission
11) formally aware that I was there. I don't know that I ever
12) sat down - as far as I know, Grant Anderson never spoke
13) with these people.
14) MR. SLOAN: I think we are getting a little
15) remote from what he is after. So let's shorten them up.
16) I do want to state one thing, just one thing.
17) The applications for Pacific Recreation Enterprises to the
18) gambling and the liquor board were by me. The
19) representations that were made were by me. The earnest
20) money agreement, called Business Acquisition and Lease
21) Agreement, that they received was the one dated September
22) 19.
23) Q: The one who received?
24) A: The agencies.
25) Q: The representations that you say were made to

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1) liquor and gambling, what representations?
2) A: They are on the application. It is like this.
3) You receive this from the Gambling Commission via, no doubt,
4) Mr. Schafer. That is Exhibit 3. Paragraph 13 d was amended
5) from the original agreement so that there would not be -
6) this kind of thing caused them great concern because we
7) passed the closing date; so we had to redraft it. All that
8) really had to change was this.
9) Q: Caused who great concern?
10) A: The regulatory processors, for lack of a better
11) word. The agents that are involved, you know, that guide
12) you through these things, change this, do this, you know.
13) MR. SLOAN: "This" means more than one thing.
14) You said I want to say one more thing.
15) THE WITNESS: I know. I know.
16) Q: So we have a transaction that closes on or about
17) December 4 of 1992; is that correct?
18) A: I believe the transaction closed - "closing" is a
19) relative term. To me, it closed January 1st.
20) Q: How about the documents?
21) A: The documents were signed on the date that they
22) were dated.
23) Q: December 4th?
24) A: If that is the document. I don't have any
25) documents dated that so - the purchaser's closing

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1) statement, excuse me.
2) Q: Going back to Exhibit 4 -
3) MR. SLOAN: That is that.
4) Q: - when was this prepared?
5) A: It was prepared on December 4.
6) Q: It is not accurate, is it?
7) A: No, it is accurate.
8) Q: It is. Doesn't it say that, "If any legitimate
9) monetary error is discovered, such error shall be assessed
10) and immediately collected from or refunded to the
11) party liable for or entitled thereto"? Am I reading that
12) correctly?
13) A: To the extent that I ever read it, I would imagine
14) that is what it says.
15) Q: The actual treatment -
16) MR. SLOAN: I am going to object to the form
17) of the question as asked. You said the document isn't
18) accurate, and then you are trying to impeach him by setting
19) up a strawman and knocking him down. I think that is
20) improper, Counsel.
21) MR. TAYLOR: I am not trying to set up
22) anything or knock down anything.
23) Q: I am just trying to understand, according to the
24) closing statement, the adjustments, if any, to the figures
25) therein were to be based on any legitimate monetary error;

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(1) is that correct?
(2) A: That is what it says.
(3) Q: The actual adjustments, though, were based on
(4) factors other than legitimate monetary errors?
(5) A: That's correct.
(6) Q: Why wasn't the closing statement drafted to
(7) reflect the "as of" treatment of the transaction?
(8) A: I didn't draft it.
(9) Q: You signed it?
(10) A: I signed it.
(11) Q: Was the "as of" treatment of the transaction, when
(12) I say "as of," the de facto ownership beginning on September
(13) 1, 1992 - was that agreement reached before or after
(14) December 4th?
(15) A: That agreement was reached well before December
(16) 4th.
(17) Q: Did you ask that that agreement be reflected in
(18) the purchaser's closing statement?
(19) A: No, I didn't.
(20) Q: Why not?
(21) A: I am sure you can tell by now that that kind of
(22) thing doesn't affect - it is not really anything that I
(23) would really focus on. I had an understanding. The
(24) understanding was met. I had no reason to get involved in
(25) the drafting or the way it was written. The effect of it

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(1) was understood. I can tell you, until this very moment,
(2) when you pointed that out, I probably never read that
(3) paragraph. I looked at the numbers.
(4) MR. SLOAN: The reason why I objected,
(5) Counsel, you said, "Is that statement accurate?" Well, that
(6) statement was made, apparently, December 4. What happened
(7) later doesn't determine its accuracy.
(8) Q: Beginning in early fall of 1993, this deal was
(9) restructured; do you recall that?
(10) A: I wouldn't characterize it as being restructured.
(11) Q: How would you characterize it?
(12) A: I would characterize it that I purchased the real
(13) estate completely separate from the option, and I paid off
(14) the balance owing on the contract.
(15) Q: How did that come about?
(16) A: Late spring 1993, I came to the conclusion that I
(17) had too much short money for my appetite invested.
(18) Q: One more time.
(19) A: I determined, in my estimation, that I had more
(20) short money - meaning, I had put more money without terming
(21) it out in any loan - than I wanted to have. And I can't
(22) tell you what that was. I can only tell you that it was
(23) obviously the hundred thousand dollars that I had, in my
(24) own mind, figured that I would put into this thing and
(25) several hundred thousand dollars is beyond this that had

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(1) gone into physical improvements, not only in the building
(2) but in the operation. I dealt with salaries; I dealt with
(3) benefits; I dealt with vacations; several hundred thousand
(4) dollars' worth of upfront expenses without realizing any
(5) revenues.
(6) The season wouldn't begin until the fall of 1993.
(7) So, I started looking for term financing to take my
(8) otherwise short-term investments and put them out over a
(9) period of time.
(10) Subsequent to that initial thought process, I
(11) guess, there was a major structural defect that was
(12) discovered during our remodeling process. It was not
(13) disclosed. I was not aware of it. But it was material. I
(14) didn't know how material.
(15) The effect of that discovery resulted in a meeting
(16) with city engineers; a structural engineer hired by me
(17) through an architect who was in attendance who was designing
(18) my cocktail lounge; the insurance agent for Pacific Rec was
(19) in attendance; the insurance agent had turned in a claim to
(20) the underwriter who had an adjuster in attendance, and I
(21) believe Mr. Hoefel representing the term of Fisher, Koppe &
(22) Hoefel at that time, was in attendance.
(23) It was determined at that time that this
(24) structural defect presented a life-threatening situation.
(25) That is a quote from the engineer, defective that the

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(1) bowling alley was closed. I don't remember when I involved
(2) this law firm. It wasn't for some time, if I remember
(3) correctly. I was informed, by the adjuster, that the company
(4) was probably going to deny coverage. The estate was still
(5) the owner of the building. I was a tenant. I can't speak
(6) for the estate. I can only presume. I knew I had to fix
(7) the building. I was already too far in to back out. It
(8) wasn't my original intent to have any more than a hundred
(9) grand into it which I felt that I could leave on the table
(10) if it turned out to be a bad deal.
(11) What I was capable of underwriting was the
(12) financial considerations of the business from operating
(13) statements, not the physical structure.
(14) So the estate, I guess, in an effort to separate
(15) itself from a liability of ownership of a structurally
(16) unsound building, had a possible claim for me for
(17) misrepresentation or lack of representation or lack of
(18) disclosure, even though the contract had all of the
(19) necessary words in it, "as is," things of that nature, and
(20) my desire to recover monies that they didn't know that I had
(21) into it resulted in a negotiated purchase price of the
(22) building and a payoff of all outstanding balances.
(23) Q: Who was involved in those negotiations?
(24) MR. SLOAN: Which?
(25) MR. TAYLOR: The negotiations which led to

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(1) the purchase price.
(2) A: I spoke with Steve Fisher, the senior partner of
(3) the firm, and the person representing - I guess he replaced
(4) Grant Anderson in that capacity.
(5) Q: What discussions did you have then with Grant
(6) Anderson in this regard?
(7) A: I don't believe I had any discussions with Grant
(8) Anderson in that regard. He had been on the bench a year by
(9) then or had separated himself from this. So there were no
(10) negotiations with Grant Anderson. He had nothing to do with
(11) it.
(12) Q: He signed the final papers.
(13) A: I understand that. I believe that was strictly to
(14) do with the fact that he was still named as president of the
(15) corporation. They had never dealt with that one issue. I
(16) don't know what other issues there might have been in the
(17) corporation, but, as it relates to me, it was strictly a
(18) deed.
(19) Q: So, did you have any discussions, whatsoever, with
(20) Judge Anderson concerning the bowling alley following
(21) January 1, 1993?
(22) A: I am certain that I asked him questions.
(23) Q: What kind of things?
(24) A: As I mentioned before, operational questions,
(25) people, what is this person capable - this is the way it

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(1) looks to me, you know - people - when did you do this; who
(2) did that; who is the contractor; things that were not
(3) readily available that he would have in his personal
(4) knowledge as the previous overseer, I guess.
(5) Q: He was the president of the company which was your
(6) landlord at that time; is that correct?
(7) A: I didn't know that that still existed, no. I knew
(8) that he signed the original documents.
(9) Q: This was in the fall of 1993 that you learned
(10) this was a life-threatening situation?
(11) A: Summer, late summer.
(12) Q: When were the repairs made?
(13) A: They are still being made as we speak.
(14) Q: When was it restored to a non-life-threatening
(15) situation?
(16) A: Immediately after that point. We started working
(17) on it within the week.
(18) MR. SLOAN: This is the subject, in part, of a
(19) lawsuit.
(20) MR. TAYLOR: I understand.
(21) MR. SLOAN: Which is settled and over with.
(22) A: In 1996.
(23) (Exhibit 6 marked
(24) for identification.)
(25) Q: I want to be sure that I understand this.

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1 (Short recess.)
2 Q: Does this letter describe the terms of the deal by
3 which you ultimately bought out or bought the ground and
4 buildings?
5 A: Just a moment. This is going to sound strange,
6 but I don't believe I understand all of the numbers in here.
7 There are three specific numbers.
8 Q: Let's walk through it.
9 First Interstate was making a loan to Pacific
10 Recreation Enterprises, right?
11 A: Yes.
12 Q: A loan of approximately 900,000?
13 A: Exactly 900,000.
14 Q: Out of that loan, Pacific Lanes was to receive --
15 well, out of that loan, the bank was going to pay a note
16 owed by Pacific to First Interstate of 108,000?
17 A: That is what it indicates.
18 Q: Do you have some reason to believe that is
19 incorrect?
20 A: No, I have no reason to doubt that. It was
21 150,000 when the deal was closed. I do remember that. But
22 that is already. Say that was the balance owing on that
23 loan. That is what it says here.
24 Q: Who paid the 42, or do you think this is just a
25 typo?

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1 A: No, I think the difference was paid by my payments
2 in the intervening months.
3 Q: When you say the deal closed, i.e., back in --
4 A: '92.
5 Q: Then you are directed to pay the principal balance
6 of 109 in satisfaction of a note from Pacific Recreation to
7 Pacific Lanes. That was the original note for 250,000?
8 A: That's correct, that was the balance owing at that
9 time.
10 Q: That balance owing reflected, in part, the
11 adjustments we have spent so much time on?
12 A: I would think so. 300,000, less 50, less the
13 adjustments, less the payments.
14 Q: Then the final disbursement was the 400,000
15 payment to Hoffman-Stevenson. That was to buy the land?
16 A: I believe it was all added together, yeah. This
17 was the way they wanted it disbursed. Keep in mind the
18 option was, in my mind at least, for my explanation, was
19 negated. There was no option. This was an absolute
20 independent purchase arrangement.
21 Q: The option provided for a purchase price of
22 600,000 in October 1994. This is October 1993, and it is a
23 400,000 purchase price effectively?
24 A: Again, that was the amount of money that
25 Mr. Fisher wanted allocated to that purchase.

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1 Q: Was any money paid on that purchase above and
2 beyond the 400 that was allocated out of the loan?
3 A: The excise tax affidavit reflected a purchase
4 price of the land and building of the 400, plus the 108,
5 which was their underlying balance. So it was 508,000 and
6 change.
7 Q: You lost me.
8 A: The second paragraph, you referred to their loan
9 of 108.
10 Q: Yes.
11 A: That was their balance.
12 Q: Pacific Lanes?
13 A: Hoffman-Stevenson balance to the bank.
14 Q: The letter says it is an obligation from Pacific
15 Lanes to First Interstate; is that wrong?
16 A: My recollection is the loan was in the name of
17 Hoffman-Stevenson, Inc., to First Interstate. I don't know
18 the relevancy of that. I mean, I don't know what difference
19 it makes.
20 Q: I am just trying to understand the transaction.
21 So, effectively, then, the purchase price for the
22 ground and the buildings was 508,000 which consisted of
23 taking Pacific and/or Hoffman-Stevenson out of their loans
24 to First Interstate?
25 A: Yes and no. They had received \$50,000.

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1 Q: Earlier.
2 A: They had received a number of payments of \$6,000.
3 Q: The monthly payment?
4 A: Exactly.
5 They had received 400,000 in cash and they got
6 their \$108,000 loan paid off. If you negate the 6,000, they
7 received 400; they received 108; and they received 50. That
8 was the satisfaction, in monetary means, for the purchase of
9 the real estate, the land and the building.
10 Q: In connection with that transaction, did you or
11 Pacific Recreation pay any money to either Steve Fisher or
12 the law firm of Fisher, Koppe & Hoefel?
13 A: Yes, I did.
14 Q: What?
15 A: I can't tell you the dollar amount.
16 Q: Was it approximately 15,000?
17 A: It was in that area.
18 Q: Why?
19 A: That was the cost of, as he reflected it,
20 preparing the documents; spending the time in the
21 negotiations. This took a matter of some time and I can't
22 tell you -- it covered over a period of months.
23 Q: Had you agreed to pay the seller's fees, legal
24 fees?
25 A: I don't know whether I agreed to pay the seller's

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1 fees at all.
2 Q: Why did you pay them?
3 A: I don't know that I did. He was negotiating, he
4 told me, a net payoff, a net dollar amount, and, any costs
5 that were incurred along that line, I would have to pay. By
6 implication I don't know that that means he didn't bill the
7 other side, too. He presented me with a bill when the
8 transaction was over with.
9 Q: A bill for his services?
10 A: Exactly.
11 Q: Rendered to whom?
12 A: Rendered to the transaction.
13 Q: And you paid that?
14 A: I paid that. To the firm of Fisher, Koppe &
15 Hoefel.
16 Q: Forgive me if I have asked this: Is there
17 anything in writing reflecting your obligation to pay that
18 money?
19 A: I don't believe there was. I think it was just an
20 understanding between he and I. When he came up with a
21 number, that was the fee.
22 Q: Was there a Dr. Williams involved in the bowling
23 alley transaction, either at the front end or the back end?
24 Does that ring a bell?
25 A: No. I know who Jerry Williams is, if that is what

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1 you are referring to, Dr. Jerry Williams. He had nothing do
2 with me.
3 Q: Did he have anything to do with the sale of the
4 ground and buildings to you?
5 A: Nothing to do with my transaction before, during
6 and after. I know Jerry Williams to be an investor. I know
7 that he ultimately bought a bowling alley in Seattle or two.
8 I haven't seen Jerry Williams, although I know who he is.
9 That is the first time I have ever heard his name related to
10 this transaction.
11 MR. SLOAN: Could you keep your voice up,
12 Counsel.
13 MR. TAYLOR: Okay.
14 Q: In October of 1993, at the same time that you were
15 closing -- and I use that term loosely -- the deal with the
16 Hoffman-Stevenson interest, you refinanced the property --
17 strike that.
18 You used the bowling alley property to secure a
19 \$900,000 loan from First Interstate?
20 A: That's correct.
21 Q: Was there any other property, other than the
22 bowling alley property, used to secure that loan?
23 A: No, there wasn't.
24 Q: Do you know why the bank was willing to lend
25 \$900,000 secured only by the bowling alley property?

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(1) A: You are asking me for an opinion, I guess.
(2) Q: Based on your discussions with the bank.
(3) A: One, because that was the amount of money that I
(4) asked for. Two, this was a personal loan to me, granted
(5) pursuant to my request to a shell corporation, for lack of a
(6) better word, that had a \$1,000 paid-in capital where I had
(7) placed the title to this property and the assets. They made
(8) the loan to me based on my personal income and my personal
(9) assets.
(10) To get a term loan out of it, you have to
(11) have or should have fixed assets. So they put a mortgage or
(12) deed on those fixed assets in the UCC-1 filing, but the loan
(13) was underwritten on my abilities to pay.
(14) The amount of money that I had in the transaction
(15) was a million and a quarter, give or take some change by
(16) that time, after paying off these dollar amounts.
(17) Q: Did you make any representations to First
(18) Interstate about the value of the ground and the buildings?
(19) A: No.
(20) Q: Provide them with any appraisals?
(21) A: I provided them with money for an appraisal that
(22) had been purchased pursuant to - I had originally made the
(23) application with Key Bank. They ordered the appraisal.
(24) Their loan amount on the same appraisal was not as high as
(25) what First Interstate would do or on terms that were

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(1) commensurate.
(2) That is a whole other story.
(3) Q: In the course of the transaction, beginning in
(4) September of '92 and ending in October or so of '93, when, in
(5) the course of that series of events, did you first learn that
(6) Judge Anderson was buying a Cadillac?
(7) A: I believe I learned that Judge Anderson bought the
(8) Cadillac when he drove up in front of the bank where I
(9) officed in it.
(10) Q: Did you suggest to him, prior to his purchase,
(11) that he should go to this particular dealership and buy a
(12) Cadillac?
(13) A: No.
(14) Q: Did you suggest to him a Cadillac was available at
(15) that particular dealership?
(16) A: We never discussed it at all. He knew that I was
(17) driving a Cadillac. He liked my Cadillac. I don't think -
(18) he asked me some questions about it. I don't think I ever
(19) knew that he was even contemplating or shopping.
(20) Q: You had no knowledge in advance of him arriving at
(21) the bank in his Cadillac that he had bought a Cadillac?
(22) A: That is true.
(23) Q: Then what happened? He pulled up and you saw the
(24) car or he told you about it; what happened?
(25) A: Actually, my office is in another room since I

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(1) retired. He pulled up. I can always hear his voice. You
(2) would have to be there to understand what kind of bank this
(3) is. It was right at closing time which is always when he
(4) arrives. He is in there negotiating and talking about
(5) this car.
(6) Always, when he is through with his transaction,
(7) he would stick his head in my door and we would chat about
(8) life in general, and I believe the bank was closed; he had
(9) made his arrangements, done whatever he was going to do. My
(10) car was parked out front, right alongside of his, and he
(11) went out to show me his new acquisition.
(12) Q: What did he say?
(13) A: What did I say?
(14) Q: What did he say?
(15) A: Just the fact that he had bought a new car.
(16) Q: What did you say?
(17) A: Nothing, other than it is a fine-looking car, I
(18) guess.
(19) Q: Was it in that transaction that you offered to
(20) make payments on the car?
(21) A: No.
(22) Q: When did that occur?
(23) A: Approximately a month later.
(24) Q: What happened?
(25) A: There was no event that happened. In my capacity

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(1) as a consultant and director of the bank, I became aware of
(2) the fact that he had made a loan, that he had set it up on
(3) payments, and, knowing Grant personally, and his - I don't
(4) know what word you use - his thriftiness; how is that - he
(5) hadn't purchased a car in 20 years, that I know of, 10 years
(6) or something. It was like a '79 Buick or something he was
(7) in love with but it had hundreds of thousands of miles.
(8) I also knew, as one of the people that banked him
(9) for 15 years - I say one because I assume he had
(10) relationships at other financial institutions that I didn't
(11) know about or didn't get involved in, at least - I knew he
(12) was not a payment type of a guy. He didn't make payments
(13) that I knew of. The only payment that I knew of, if any,
(14) would be his house payment.
(15) The idea just hit me that, A, I had already
(16) started spending substantial amounts of money, as I stated
(17) in my affidavit, and, I have been reasonably blessed with my
(18) financial efforts for over a lifetime and I felt somewhat
(19) cheap, I guess, by never having paid this man anything. So
(20) I approached him with the idea of letting me make some of
(21) those payments. There was no dollar amount ever determined.
(22) I knew that the payments were \$800 apiece, and I was
(23) prepared to pay that for an indeterminate amount of time. I
(24) didn't enter it with any transaction in mind, any dollar
(25) amount in mind.

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(1) Q: When he paid you the final, approximately, \$8,000
(2) in cash, did you get a receipt or give him a receipt?
(3) A: I don't believe so.
(4) Q: How did you treat that cash on the books of
(5) Pacific Recreation?
(6) A: I didn't.
(7) Q: Did the money ever make it into Pacific
(8) Recreation?
(9) A: No. Pacific Recreation owed me an amount of money
(10) that had been expensed in '93 for rent that had never been
(11) paid. I accounted for all of that in this manner. In
(12) other words, it is taxable income to me. So, whether I put
(13) the money into the company and then they paid me or I took
(14) the money and gave the credit, the point is that that
(15) liability went down to zero.
(16) Q: Let me ask it differently. If I were to pick up
(17) the books of Pacific Recreation, would I see something in
(18) there that reflects the receipt of approximately \$8,000 in
(19) cash?
(20) A: No, because it didn't go to the corporation; it
(21) went to me.
(22) Q: It never hit the corporation's books?
(23) A: Exactly. It hit the corporation's books in the
(24) form of a credit against the payable to me.
(25) Q: So you reduced the payable by \$8,000?

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(1) A: Exactly.
(2) Q: I would see that entry reflected in the books?
(3) A: At some point, yes, usually at the end of the
(4) fiscal year. I am trying to remember when this was paid
(5) off.
(6) Q: Would it be a lump sum or would it be itemized,
(7) the credit against the payable?
(8) A: I can't tell you how the accountant would have
(9) handled it. All I know is the entire payable went away and
(10) there were other transactions of the same ilk. These
(11) adjustments were being made - I believe they were being
(12) made in 1996.
(13) Q: When is the last time that you discussed this
(14) investigation with Judge Anderson?
(15) A: I don't know that I have ever discussed the
(16) investigation with Judge Anderson.
(17) Q: When is the last time you discussed any facts with
(18) Judge Anderson relating to his acquisition of the Cadillac?
(19) A: I can't recall. I am going to suggest it was when
(20) this document from the bank was produced.
(21) Q: Produced by the bank?
(22) A: By the bank.
(23) Q: What did you discuss with him?
(24) A: Just the fact that that accurately reflected - I
(25) don't know that I even discussed that, to tell you the

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1 truth. I know that I got a copy of it and that I looked at
2 that and it accurately reflected the transaction as it
3 related to the bank.
4 The last discussion I had with him about anything
5 to do with this was within the last few weeks when I told
6 him or days - I don't remember how long it has been since
7 we made this appointment today.
8 Q: What did you tell him?
9 A: Just the fact that I was going up to give a
10 deposition.
11 Q: What did he say?
12 A: I don't believe he said anything, just a matter of
13 fact I think more than anything.
14 Q: What were the circumstances that led to the
15 creation of the affidavit that has been marked as Exhibit 2?
16 A: I am not sure I can remember the circumstances. I
17 believe that - I can't tell you whether Mr. Bulmer called
18 me or Judge Anderson called me and asked me to state my
19 recollections in writing. I know that I took a shot at it
20 and talked to Phil.
21 MR. SLOAN: Didn't I tell you Bulmer asked me
22 to do it?
23 THE WITNESS: Yes.
24 MR. SLOAN: Counsel, without testifying, I
25 believe Mr. Bulmer and I spoke and he made the suggestion

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1 that I obtain this.
2 Q: Did you know for what purpose this affidavit would
3 be used?
4 A: No.
5 Q: Did you ask?
6 A: Well, I was aware of these ongoing investigations
7 as a result of starting with the conversations with
8 Mr. Schafer and then different interviews and phone calls
9 from the Bar. I don't remember if there was anyone else
10 involved. I don't even recall when that all started taking
11 place. It was quite some time ago. And I involved Phil and
12 Tom immediately upon meeting with Schafer, former partners,
13 including a meeting with Doug at Sloan's office. I didn't
14 find this request inconsistent with anything. It was just
15 stating what my intents were.
16 (Exhibit 7 marked
17 for identification.)
18 Q: Take a look at this.
19 (Short recess.)
20 (Discussion off the record.)
21 A: I believe in their office almost daily.
22 Q: Whose office?
23 A: The law office.
24 Q: Sloan, Bobrick & Oldfield?
25 A: (Witness nods head affirmatively.)

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1 MR. SLOAN: In Tacoma, it is referred to as
2 "the law office."
3 (Discussion off the record.)
4 Q: To your knowledge, has Judge Anderson ever told
5 anyone that the Cadillac payments were a commission for his
6 work in selling the bowling alley to you?
7 A: I would have no idea what Judge Anderson said
8 about that.
9 Q: Has anybody ever told you that he made such a
10 statement?
11 A: Nope.
12 Q: Was Judge Anderson aware of the \$15,000 payment to
13 the firm of Fisher, Koppe & Hoefel in connection with the
14 final transaction?
15 A: Not by anything that I would have said.
16 Q: Is there a reason you did not tell him?
17 A: One, he didn't ask; and, two, I didn't think it
18 was any of his business.
19 Q: Why not?
20 A: Judge Anderson, for my intents and purposes,
21 exited this entire transaction with the closing in '92. The
22 only information or the only communications that I had with
23 him subsequent to that and prior to these - this -
24 whatever the heck you want to call Schafer's ravings - were
25 related to questions about the operation that I felt he

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1 could assist me in, and that is whenever I could find him
2 and it was convenient. He was very helpful.
3 Q: The last page of Exhibit 7, did you review that
4 before it was sent?
5 A: No.
6 MR. SLOAN: Excuse me, Counsel, attached to what you
7 gave us is a fax cover sheet.
8 MR. TAYLOR: Yes. That is what I am
9 referring to.
10 MR. SLOAN: You are asking Mr. Hamilton if he
11 had reviewed what I faxed to Doug?
12 MR. TAYLOR: Yes.
13 Q: Before it was sent?
14 A: No.
15 Q: When did you see it?
16 A: I don't recall, probably when I was putting
17 together the information for this complaint and reviewing it
18 with Attorney Sloan.
19 Q: Had you discussed with anyone the language that
20 appears in the lower right-hand corner?
21 MR. SLOAN: My writing?
22 MR. TAYLOR: I presume that is your writing.
23 MR. SLOAN: I wrote that document, Counsel.
24 If you want to ask me questions, I would be delighted to
25 answer them.

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1 Q: Have you discussed it with anyone, Mr. Hamilton?
2 A: (Witness shakes head negatively.)
3 MR. SLOAN: I am serious about this because,
4 if you wish, the reasoning why I wrote this, I would be
5 delighted to tell you.
6 MR. TAYLOR: Sure.
7 MR. SLOAN: I told Doug, in that meeting the
8 day before, that I was very concerned about his mental
9 health, that Bill and I, Mr. Hamilton and I, offered
10 personally to contribute towards the cost of psychiatric
11 counseling. I have a fair amount of experience in mental
12 health problems.
13 Tomorrow I am going to the funeral of one of
14 my colleagues who committed suicide last week. His behavior
15 was absolutely consistent with what I perceived Doug's was
16 at the time. We were very distressed. I told Doug in our
17 meeting in my office that - let me say this - Doug took in
18 as a colleague, Jim MaGee, lawyer. Jim MaGee went straight
19 from our firm to Doug's firm. He was simply an intern with
20 us. He was never hired as an attorney. Jim told us that he
21 was very worried about Doug. Then we heard innuendoes from
22 other lawyers and comments: "Guess what Doug is doing now."
23 I then asked Doug to come over with Bill, and
24 we had this meeting. I told Doug - and I remember this
25 very clearly, this part of it - I said, "Doug, I was your

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1 partner when your boys were born. I know you are hurting
2 financially. If you lose your license to practice law, you
3 could lose everything." I said, "These letters" -
4 By then I read the letter that he wrote to
5 all of the judges. But it was being circulated as an item
6 of interesting gossip around town and so forth. But I had
7 never heard Doug swear in all of the years that I had known
8 him. I met Doug when I sat for the Bar review course at UPS
9 in 1978. So I had known him quite awhile.
10 In that meeting with Bill, Doug was swearing
11 like a trooper, and I, in my lay knowledge, diagnosed him to
12 be in a manic state. It was with that spirit that Bill and
13 I said, "Look, setting aside any legal problems here, if you
14 lose your license to practice law, you are going to
15 jeopardize your whole family." I know Doug is a very, very
16 devoted family man.
17 He then went off on a rampage of swearing
18 about what he thought about the Bar, what he thought about
19 lawyers, what he thought about judges. I said, "One thing
20 you cannot do, Doug, is go around telling people
21 communications that Bill made to you in the course of your
22 representation of him, and, furthermore, you are misquoting
23 him and misstating the truth."
24 He was swearing and out of control. I don't
25 know about Mr. Hamilton, but I had never seen Doug swear

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(1) ever. I used to play racquetball with him in addition to
(2) practicing with him. There, you swear.
(3) That is why I wrote that last paragraph. It
(4) wasn't to threaten him, in terms of physical violence at
(5) all.
(6) Doug built his house with his hands. He
(7) bought an older house and remodeled it totally by using
(8) instruction books and things. Things like that where he had
(9) a philosophy that he wanted to practice only a reasonable
(10) number of hours a day, not 24 hours a day, et cetera. So I
(11) was thinking, if you lose your license, you lose everything,
(12) and so, if you don't care about yourself - because you told
(13) us you don't care about all of these things - at least
(14) think about your family and so forth. That is why I said
(15) here, "If I can help, please call," and I sincerely meant
(16) it.

(17) A: I had put off filing this, as you can see, for
(18) seven months, from the time of the meeting. Doug Schafer
(19) called me in December 1995 and wanted me to meet him. This
(20) was over three years after his representation of me.

(21) Subsequent to formation of Pacific Recreation
(22) Enterprises, Doug did some trusts for my personal use,
(23) estate planning, wills, things of that nature that were
(24) within his expertise. And I - the reason I used Doug was
(25) that he was never busy. He was reasonably priced and very

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(1) responsive. I never found him making any unsolicited
(2) suggestions, just taking my desires and putting them in a
(3) format and introducing me to the various vehicles that might
(4) be used for tax planning and estate planning.

(5) Prior to that time, I used Doug to represent an
(6) interest in challenging some improprieties that I viewed as
(7) a stockholder at First Mutual Savings Bank in Bellevue,
(8) Washington, and, in hindsight, some of his fervor worked to
(9) my advantage at that time. So I didn't really question it,
(10) other than it seemed unnecessary, I was seeing here.

(11) When he called me, as a friend, in 1995 December -
(12) I don't remember the day of the week it was - we made a
(13) date to meet in the neighborhood, have a cup of coffee. I
(14) had, for the first, the last, the only time the previous
(15) Friday met Grant Anderson in chambers for lunch. While I
(16) sat in the audience, waiting for whatever matter they were
(17) dealing with, it turned out the matter was a fee-splitting
(18) negotiation, as it were, among a number of attorneys - I
(19) want to say there were seven or eight attorneys present -
(20) one of the names that came up, that wasn't present when they
(21) presented the order, I heard "Douglas Schafer."

(22) The trustee or personal rep, whatever it was, of
(23) this particular estate was not recommending any payment to
(24) Mr. Schafer.

(25) Almost immediately, like the next day or the day

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(1) after, I get this call; he wants to meet. And he starts off
(2) on the judiciary in general, his work in guardianship
(3) reform, that I knew nothing about and his dissatisfaction, in
(4) general, with the process, and then he takes off on several
(5) judges, including Grant Anderson, and starts dredging up,
(6) three and a half years after the event, his now, I figured,
(7) self-serving recollections of what I might have said or
(8) disclosed to him in the formation of Pacific Recreation
(9) Enterprises. He had drafted some of the documents that you
(10) see. Actually, none of the documents that you presented I
(11) don't believe were ever drafted by him - the formation of
(12) the corporation was what he was hired for but he had these
(13) documents. The same way that I had hired him, in 1990, to
(14) form Sound Banking Company for exactly the same reasons.
(15) He didn't have anything else to do, was always
(16) very responsive, competent in filling out the forms, very
(17) attentive to detail, which I am not, and experienced when he
(18) was either an associate or partner at Graham & Dunn and,
(19) prior to that, at Johnson, Lane & Gallagher.

(20) So, starting in 1975, he had been in and out of
(21) these different relationships. He left the Johnson, Lane &
(22) Gallagher firm, with Jim Gallagher, when he took the -
(23) kind of the entourage banking group over to Graham & Dunn.

(24) And then he left from there, I believe, after he
(25) did the acquisition paperwork for Western, which was my bank,

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(1) when we purchased the bank in Federal Way. I remember him
(2) leaving there shortly thereafter. When I asked for him the
(3) next time, I was told that I had to be represented by
(4) someone else. I could tell why. His bill was 15,000;
(5) someone else's was 200,000. That is what that meant to
(6) me. When I needed something done, I felt, in his area, I
(7) felt that he could handle that.

(8) So, I know that I represented, over those years in
(9) my efforts, a substantial, if not the majority, of his
(10) income. I was taken aback when he took off on Grant
(11) Anderson three and a half years after a transaction and 24
(12) hours after his court, that I happened to be sitting in, for
(13) the only time in my life, an order was signed denying a
(14) five-figure fee or a high four-figure fee. I questioned him
(15) about his motivation for this now untimely but self-serving
(16) recollection which was wrong.

(17) Different people can see things differently.
(18) Believe me, I wish I had done things differently for the
(19) benefit of the people involved. I know what I meant, and I
(20) know what I meant when I talked with Doug.

(21) So, I met with him at that time; told him of the
(22) explanation, as it goes on in the affidavit, and thought
(23) that he was - well, he says, "I will think about that."

(24) I said, "I hope that you do, and, whatever you do,
(25) do not divulge anything that you - because you don't

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(1) understand it. If you do understand it, you understand it
(2) self-servingly because you now think you have some axe to
(3) grind. I am really disappointed that two friends of mine -
(4) I said, "Let me get Grant to sit down and explain what his
(5) side of it was."

(6) A similar occasion arose two days later and as a
(7) representation of the formation of the bank. He took
(8) information that he had, he had in his own files. He was
(9) the one that filed the application. He knew who the
(10) stockholders were. Then when I read these affidavits
(11) and these letters and whatnot that he filed with the various
(12) regulatory agencies from the Attorney General to the
(13) prosecuting attorney to the Bar Association and generally
(14) anybody that would listen, I, first of all, see hurt and
(15) then I see monetary hurt. I hadn't given him any business
(16) in a long time. I don't know what he was doing for a
(17) living.

(18) Then I see a jousting at windmills, swimming
(19) upstream against a system that I don't understand but
(20) challenging, maybe the right thing but maybe in the wrong
(21) way, whatever.

(22) When I found that he went around me to another
(23) person related to the bank and asked information that he had
(24) in his own files and later admitted he had in his own files
(25) and involved other people, getting other people related to

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(1) the bank involved and upset, I called to tell him that that
(2) was not proper and he couldn't do that at that level any
(3) more than he could at the personal level and then put it in
(4) writing to that effect. Everything went away.

(5) And, some weeks later, I get a call from one of his
(6) officemates. I probably - I have already said too much -
(7) but Steve Quickruba who I had spoken with about this
(8) because saw him casually, not in the form of an attorney.

(9) "He is at it again, Bill, and he was down at the
(10) office just kind of whirling around preparing these
(11) affidavits and he was telling them he was going to take it
(12) to the newspaper and smear the judicial and Anderson
(13) specifically."

(14) It was at that time that I called him and asked
(15) for a meeting that resulted in my meeting with he and Phil.
(16) He tried to get other attorneys to attend. I told him I
(17) wouldn't attend without a third party. He, obviously, wasn't
(18) interested in the truth; he was only interested in his own
(19) interpretation of the truth and his own interpretation of
(20) the Bar rules which I didn't know anything about, other than
(21) it seemed to be kind of a sacred thing at the time.

(22) (Discussion off the record.)

(23) A: So, after the meeting with Phil and I, in which it
(24) was totally out of character for him, it was a result of him
(25) being out of character at his office with his office mate

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1) and, you know, I mean, there was popped veins and spittle
2) and - I mean, he was just wild that day. I didn't know
3) what to do about it. Obviously, he did something
4) personally. But it was at that time that he had gone to the
5) Public Disclosure Commission and he had drawn some
6) conclusions that were wrong.
7) By the way, they had done an investigation. I had
8) to write an affidavit for them, also. It is just that kind
9) of stuff - not an affidavit. I had to produce copies of
10) checks that I had written for Judge Anderson's campaign
11) treasurer. He was making an allegation that I had made an
12) illegal campaign contribution. I just produced the checks
13) that I had written. There is no reason - no reasoning
14) power put into this.
15) He kept asking for specifics. Have you - "Did
16) you make an illegal campaign; did you do this; did you do
17) that?" At the time, you know, answering his questions,
18) the answer was no, but I will be happy to talk to you about
19) anything and then counsel advised me, "Set up a meeting and
20) go meet with Fisher if you want to look at the records."
21) "I don't care what the records say. I just know
22) what I feel." It was that kind of comment. He refused to
23) meet with anybody to determine the facts. So Phil cautioned
24) him, told me not to answer any more questions, that he
25) obviously was going to misuse the information. He already

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1) had his mind made up. He wasn't interested in the truth,
2) which, of course, just drove him into a frenzy even further,
3) literally.
4) When he left, I guess it was subsequent to that
5) that, you were concerned about his personal health. So we
6) faxed that down to him as well as cautioned him in writing
7) not to do that. He had already received a letter from me
8) that I drafted that same day after I heard that he was on
9) his way to smear Judge Anderson whom I know to be a very
10) fine person. I don't know anything to the contrary, still
11) don't. So that is where this came about. Then I wrestled
12) with it for the same reason that Phil wrestled with it.
13) After beaucoup drafts, finally, I reluctantly sent that in.
14) MR. TAYLOR: Mr. Hamilton, I don't have any
15) further questions. Thanks for your time.
16) (The deposition concluded
17) at 2:58 p.m.)
18) (Signature was not waived.)
19)
20)
21)
22)
23)
24)
25)

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AFFIDAVIT
STATE OF WASHINGTON)
) ss.
COUNTY OF KING)
I have read my within deposition,
and the same is true and correct, save and
except for changes and/or corrections, if any,
as indicated by me on the "CORRECTIONS" flyleaf
page hereof.
WILLIAM HAMILTON
SUBSCRIBED AND SWORN to before me
this _____ day of _____, 1997.
NOTARY PUBLIC in and for
the State of Washington,
residing at _____
My commission expires _____

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CERTIFICATE
STATE OF WASHINGTON)
) ss
COUNTY OF KING)
I, the undersigned officer of the Court,
under my commission as a Notary Public in and for
the State of Washington, hereby certify that the
foregoing deposition upon oral examination of the
witness named herein was taken stenographically
before me and thereafter transcribed under my
direction;
That the witness before examination was
first duly sworn by me to testify truthfully; that
the transcript of the deposition is a full, true
and correct transcript of the testimony, including
questions and answers and all objections, motions,
and exceptions of counsel made and taken at the
time of the foregoing examination;
That I am neither attorney for, nor a
relative or employee of any of the parties to the
action; further, that I am not a relative or
employee of any attorney or counsel employed by the
parties hereto, nor financially interested in its
outcome.
IN WITNESS WHEREOF, I have hereunto set my
hand and seal this 29th day of January, 1997.
Patrice E. Starkovich
NOTARY PUBLIC in and for the
State of Washington, residing
at Seattle.
My Commission Expires 5-31-2000.

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PATRICE STARKOVICH
REPORTING SERVICES
P.O. BOX 22884
SEATTLE, WASHINGTON 98122
(206) 323-0919
January 29, 1997
To: William Hamilton
P.O. Box 98719
Tacoma, Washington 98498
Re: In re the Matter of The Commission on Judicial Conduct
Deposition of: William Hamilton
Date Taken: January 21, 1997
Cause No.: 96-2179
PLEASE TAKE NOTICE THAT:
The transcript of the above deposition is ready for your
reading and signing. Please call to set up an appointment
to do so at your earliest convenience. You must, by
_____, read and sign the deposition or state in
writing your reason for refusal to sign, or state in writing
the fact that you waive your right to sign; failing to do
so, signature will be deemed for all purposes waived, and
your deposition will be forwarded to the appropriate party.
Thank you for your assistance in obtaining signature.
By: Patrice E. Starkovich, RPR, CSR
cc: Paul R. Taylor