

SWORN STATEMENT
OF
JOEL D. WALLACH

Taken on Sunday, July 5, 1992, beginning
at 1:45 p.m., at 424 Calle Primera, Suite 100, in
San Ysidro, California.

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Examination conducted by:

MICHAEL K. BOTTS
421 West 87th Street, Suite 1
Kansas City, Missouri 64114

Statement reported by:

RENEE K. PAPIERNIAK
CSR No. 7056

2
1 SAN YSIDRO, CALIFORNIA, SUNDAY, JULY 5, 1992, 1:45 P.M.

2
3 JOEL D. WALLACH,

4 witness, having been first duly sworn in, testifies as follows:

5
6 EXAMINATION BY MR. BOTTS:

7 Q. You were in business with ~~Donsbach~~ or working for
8 him for a while?

9 A. I was an employee of Dr. Kurt Donsbach for at
10 least two years and eight months.

11 Q. Okay. And that was in what capacity?

12 A. Varying capacities. From a physician in two of
13 his facilities in Mexico to managing several of his divisions
14 here in the United States. Everything from Eagle Network
15 Marketing to Hospital Santa Monica Services.

16 Q. Okay. The -- off the record.

17 (Discussion held off the record.)

18 BY MR. BOTTS:

19 Q. The two hospitals in Mexico, was that Hospital
20 Santa Monica --

21 A. Agua Caliente.

22 Q. Were you familiar with what Kurt Donsbach did or
23 was responsible for, his actions in connection with those
24 hospitals and the business here?

25 A. Oh, yes. I worked very closely with him. And
26 many people thought I was his henchman for 2.8 years.

27 Q. What kind of control did he have? Can you
28 describe --

2
1 A. Total. You couldn't pick out the color of
2 toilet paper without him making a decision. Everything came
3 to a grinding halt. No decisions were ever made that he didn't
4 make.

5 In other words, if we had a thousand dollars in
6 checks that came in the mail, they would sit it on the table
7 until he looked at them. Then they could be deposited. There
8 was just nothing that was done without his knowing it.

9 Q. Did he -- did he supervise patient care?

10 A. He not only supervised patient care, but he was in
11 this very room sitting, and the one behind you, after he was
12 deported from Mexico, and his Mexican passport taken away, and
13 he was made a persona non grata in Mexico for the last year
14 and -- little over a year I guess now.

15 He would actually have patients going to the
16 hospital in Mexico. They would be picked up at the San Diego
17 airport. Then he would interview them in this office, back
18 here, and when that got too full of papers and everything he
19 moved into this conference room. And he would have their
20 patient charts, and he would interview them, just like a
21 licensed physician would, and establish their treatment
22 protocol. Then the folder and the patient would go to Mexico.

23 Of course, before his deportation from Mexico he
24 would drive back and forth to Mexico at least once a day, maybe
25 two times a day on some days.

26 And then he would sit in professorial or
27 pontificate the patients two or three times a night, to the
28 point where patients were lined up in the halls with their

2
1 folders. He would again interview them. He personally would
2 establish every patient's protocol.

3 Q. On every one of them?

4 A. Every patient. Except if he was out of town when
5 they checked in. And then there was a temporary protocol
6 established. And then when he would come in town he would
7 personally interview them and change the protocol to meet his
8 judgment.

9 Q. Who did the -- was there anyone who did the
10 picking up at the airport to bring people --

11 A. There were four or five people. Several Mexican
12 employees would do that. A fellow named Jim Lagoni. He'd been
13 a long time driver. There was another, Alex Esparza. And then
14 various Mexican employees whose names all escape me.

15 They would pick people up at the airport and take
16 them either to the hospital, where Donsbach would personally
17 interview them, or this office here. And before this I guess
18 he would see them at Suite 102.

19 Q. This is Suite 100?

20 A. This is Suite 100. Which he only acquired the
21 lease to it after April of '90. So he was a very busy boy.

22 Q. What about paying for the visits, how were the --
23 how did patients pay for the treatment?

24 A. They paid in cash, they paid in traveler's checks,
25 money orders, cashier's checks, personal checks. Some of them
26 also had insurance and he would take their payment of, say,
27 8,500 as a deposit, quote, and then when the insurance company
28 would pay -- sometimes they would pay 20,000, 21,000, \$25,000.

2
1 They were supposed to get their deposit back.

2 And I say supposed to because there was a time
3 there when he kept about \$340,000 of insurance payments that
4 didn't go back to the patient. And one day I counted 23
5 sheriffs showing up with -- serving papers, civil suits from
6 people.

7 The last two sheriffs actually were crossing in
8 opposite directions and did the "high 5." They were getting
9 such a kick out of serving him with so many warrants.

10 Q. When was that?

11 A. That was about six months ago.

12 Q. And it was here?

13 A. He was no longer here. His offices had been moved
14 to Bonita. But they had this address, so they were all coming
15 to Suite 102. And the people there, of course, were signing for
16 them.

17 And when they finally came in and asked, they all
18 started going over there and serving him.

19 Q. Where is the Bonita address?

20 A. There are two of them. They're in a strip mall on
21 Bonita Road. One of them, which is Hospital Santa Monica
22 Services, is the label above the building, and it is at 40 --
23 excuse me -- 4100 Bonita Road, Bonita, California, 91902. The
24 one next door to it is called Reach for Life and it's at 4096
25 Bonita Road.

26 Q. And that's --

27 A. Bonita California, 91902.

28 And the telephone number is 619, 428-1147.

1 Q. Is that the number that used to be here?

2 A. Uh-huh. He had it transferred over there.

3 And he gets paid on this side of the border,
4 that side of the border. They get stuff mailed to them. They
5 have P.O. boxes in Bonita. And I don't know if they still have
6 them here. But they did for many, many years have a P.O. box
7 in San Ysidro. But now I know they have a P.O. box over in
8 Bonita. May have two or three boxes.

9 Q. Well, if someone came in, let's say, with cash
10 or -- when someone came in with cash to here, they would take
11 that money and do what? Give it to someone?

12 A. Donsbach skimmed off all the cash. If it was
13 cash or money orders that went into Donsbach's pocket.

14 Q. You know that?

15 A. I know that.

16 Q. You --

17 A. I've seen it a thousand times.

18 Q. So the cash was given to the receptionist or to
19 Donsbach personally?

20 A. In many cases given to him personally. The
21 patients would say, "I'm not paying until I see the doc."
22 So they would sit down with him and pay in money orders,
23 traveler's checks, cash.

24 And, again, he kept the cash, whether it came on
25 this side or that side. And on the other side most of the
26 personal checks and cashier's checks, things like that, were
27 deposited in a Mexican bank and converted to cash and come
28 back out. And come back this direction and be calculated,

1 knowing what was put in, what came out.

2 For instance, there were months where the hospital
3 would get 60 patients. He would report 20 patients to the
4 Mexican government. Pay taxes on 20 patients, instead of 60.
5 He only would report \$3,500 income from the patients when he
6 really was paid \$8,500. And the balance was converted to cash
7 and brought back into the United States and never declared in
8 the United States.

9 So he probably -- over the three years that I know
10 about it, me and several other people calculated four million
11 dollars untaxed into the United States. Much of it personally
12 in his brief case and pocket, on his person. And then Jim
13 Lagoni would bring it over, and then a fellow that still comes
14 over twice a week, now that Donsbach can't go over himself,
15 Javier -- I'll think of it.

16 Q. Valdivia?

17 A. Valdivia. He stills comes back on this side
18 twice a week with a brief case full of the cash.

19 Q. Well, does he have a regular schedule, like Tuesday
20 and Thursday after --

21 A. Yeah. Tuesday and Thursday, or could be Wednesday
22 and Friday. It's twice a week.

23 Q. So if cash goes down to -- let me get this
24 straight. If cash goes down to Mexico --

25 A. It's put in a separate pile and brought back across
26 the border. The other --

27 Q. Other checks and Hospital Santa Monica account?

28 A. Uh-huh.

1 Q. Do you know what account it is?

2 A. There is a Banco International, which is in
3 Rosarita Beach.

4 Q. Okay.

5 A. And then another account, which I believe was --
6 there is actually three accounts in Banco -- I may have sent
7 that to you.

8 Q. Okay.

9 A. It's another bank. Maybe the same bank in
10 Tiajuana.

11 Q. For the Agua Caliente?

12 A. Just a real short hop to that bank. And also had a
13 Hospital Santa Monica account in there. And Donsbach had a
14 personal account in there.

15 Q. Okay.

16 A. They gave like 40 percent interest on those
17 accounts.

18 Q. Gee.

19 A. So that they kept money in there, even if they
20 would pay late fees of 2 percent to get the 40 percent, even.

21 Q. Okay. So that money went into that -- do you
22 think it was under those names? It was under Donsbach's name?

23 A. The checks -- well, one of them was. One of them
24 was under his name. One of them. Agua Caliente, Hospital Santa
25 Monica.

26 Q. The checks actually said that on them?

27 A. Yeah.

28 And at that same time, the same time period,

4
1 there was an insurance man who submitted insurance bills to
2 insurance companies in the United States for these cancer
3 patients in Mexico. His name is Jerry Anthony. Okay? And
4 he owns a little fast food convenience store right across from
5 the hospital in Rosarita. He has a four-plex above that which
6 he lives in.

7 He told me he has the 1099s from the insurance
8 companies from 1987 to about 1989 that show that Donsbach got
9 over four million dollars in insurance funds. He's got all
10 the 1099 forms.

11 Q. Okay. So this guy would take the -- if somebody
12 went down to Mexico and was going to claim it on their
13 insurance --

14 A. Uh-huh.

15 Q. -- what would they do? Sign it over to somebody?
16 Sign their insurance claim over?

17 A. They would make the assignment to Hospital Santa
18 Monica, who then would use standard insurance codes for
19 chemotherapy, which was usually I.V. Laetrile, and things of
20 that nature. Nursing care, hospital room, doctors' visits.
21 You know, the usual stuff.

22 Q. How else did that --

23 A. Run up to 25,000.

24 Q. Creative billing. Whatever fit on there?

25 A. Yeah. Yeah.

26 Q. Did they -- so if you had an ejection of X, Y, Z
27 they --

28 A. Onco-Tox.

4
1 Q. So they got an injection of Onco-Tox?

2 A. Called it chemotherapy. Write a code for
3 chemotherapy and get paid for chemotherapy.

4 I might tell you, that Onco-Tox was one of
5 Donsbach's creations.

6 Q. Go ahead.

7 A. Have you heard of this one?

8 Q. Someone else told me about it. I want to make sure
9 I've got the right story.

10 A. Actually, it's actually injectable sheep wormer
11 by the name of Levamasole (Phonetic). I believe it's
12 Levamasole. And he buys it in hundred and thousand ML bottles
13 and breaks it down into 10 cc bottles and 5 cc bottles. And
14 then just puts a label on there that says Onco-Tox. And that's
15 the injectable form.

16 Then he takes Levamasole and mixes it with
17 something like drisilla (Phonetic), some milk sugar, and puts
18 it in a capsule and calls it Neurogen and Immostem (Phonetic).

19 Neurogen is for M.S. patients and the Immostem is
20 his aids cure. It's all the same.

21 Q. How long was he doing that or has he been doing
22 that?

23 A. It's two years. It continues to be one of the
24 biggest selling products, mail order. Sells it through the
25 mail and then ships it to people all over the United States
26 with U.P.S.

27 Q. Do you know who he buys the

28 A. He has a pharmacist working for him, a pharmacist

4
1 licensed in the State of California by the name of Ross Pelton,
2 and he's the hospital pharmacist.

3 And so with his California license he just orders
4 this stuff from the animal veterinary supply. Here in Southern
5 California there are only three of them in the phone book. So
6 you just call which one, get a subpoena of the records, and
7 you'll find out who's signing.

8 The Hospital Santa Monica -- they used to ship it
9 here, and then break it down here on this side and then take
10 it across for hospital use, and U.P.S. it out of here for the
11 patients here in the United States. It continues. They
12 continue to do that.

13 Q. It still is done in the United States?

14 A. Some of it, yeah.

15 Q. At the Bonita --

16 A. Now --

17 Q. -- address?

18 A. It used to be done in a house on Crest Avenue.
19 It belongs to David Cherry. And he would box all this stuff
20 up. U.P.S. would actually come to his house and ship them
21 out. A lot of the stuff is C.O.D. What they call automatic
22 order for patients who had been down in the hospital for three
23 weeks. Then when they would go home they would just get a
24 C.O.D. order every month, which they would have to pay for.

5
25 So, I mean, all you have to do now is go to
26 U.P.S, yah, we want to see all of the records from 102, 424
27 Calle Primera and Crest Avenue addresses -- they're on Bonita
28 Boulevard -- and you'll get addresses of everybody they sent

1 the stuff to. It's that simple. There are paper trails all
2 over the place.

3 Q. Is there anything else he did that was like the
4 Onco-Tox?

5 A. Neurogen, Immostem.

6 Q. Yeah.

7 A. Those are ongoing.

8 Q. Okay.

9 A. Then he has one for liver cancer, which he calls --
10 it's a mixture of carbomean and -- carbomean. And he got this
11 formula from some cancer doctor, alternative cancer doctor in
12 Greece. He mixes this stuff up, puts green food coloring in it,
13 and then ships it all over the United States as a cure for liver
14 cancer.

15 Q. Is that -- is this Alavizatos?

16 A. I think a Greek fellow.

17 Q. Is that -- let's go off here.

18 (Discussion held off the record.)

19 THE WITNESS: He has a new catalog called -- has Santa
20 Monica Pharmacy.

21 BY MR. BOTTS:

22 Q. Okay.

23 A. Which he mails out all over the country. And,
24 also, he gives them away at all the health conventions.

25 You just tear out the last sheet, which is a
26 catalog order form. You can get Tomaxa and Flutamide
27 (Phonetic), you can get Thyroid, you can get Onco-Tox. You
28 can get whatever you want. Estrogen, birth control pills, you

1 name it. Get any prescription stuff you want.

2 (Discussion held off the record.)

3 THE WITNESS: Used to be called Worth Pharmaceuticals.

4 BY MR. BOTTS:

5 Q. And Donsback runs that operation?

6 A. Oh, sure. You're talking hundreds of thousands of
7 dollars a month out of that.

8 Q. So this is an underground pharmacy type deal?

9 A. Uh-huh, yeah. Many of these drugs are purchased
10 in the name of the Hospital Santa Monica, through this
11 pharmacist, Ross Pelton, and it's delivered to his address there
12 in Bonita. Used to come here --

13 Q. Uh-huh.

14 A. -- before he moved. And then boxes were broken
15 open, a percent of it taken to Mexico for the hospital, for
16 their use there and patients in Mexico, and the rest of it would
17 be put in the pharmacy here on this side, then mailed all over
18 the country.

19 Q. I had no idea he was doing that.

20 A. Kind of blows your mind, doesn't it.

21 Q. Yeah, it does.

22 A. Those are some of the smaller of his operations.

23 Q. Did you -- where does the money go from that? The
24 money will come in C.O.D. and --

25 A. Into his pocket.

26 Q. The money that is sent out C.O.D., also?

27 A. Yes. These things are -- well, the order -- they
28 usually send in checks and whatnot. But the automatic orders

5 1 from hospital patients come in C.O.D. Those all come in --
2 some of them pay in personal checks, some of them pay in cash,
3 which the U.P.S. converts to a U.P.S. check, and all of that
4 mail will come into mail boxes in San Ysidro. Now over in
5 Bonita.

6 Q. Do you know what he does with that money that comes
7 in?

8 A. Well, it's separated.

9 Q. The cash goes into his pocket?

10 A. Yeah. And the checks go into various accounts.
11 Some of it goes into Mexico, depending on which account is cash
12 poor at the moment. It's all mishmashed.

13 Q. Can you give me a summary of what the accounts are?
14 We have three down in Mexico, his personal, Agua Caliente,
15 Hospital Santa Monica.

16 A. On this side he had Wellness Life Style, Inc., he
17 had Hospital Santa Monica, and I know the Hospital Santa Monica
18 account and the Wellness Life Style, Inc. were and probably
19 still are at this California Commerce Bank here in San Ysidro
20 on San Ysidro Boulevard.

21 Then there is another account which was in what was
22 the Great American Bank, which is now Wells Fargo, right across
23 the parking lot from that. I don't know what that account was.
24 They had one over there. I think World Pharmaceuticals. And
25 Donsbach may have a personal account.

26 Q. I was asking about the pharmaceutical account.

27 A. And then, because they still pay us when they buy
28 vitamins, you know, they'll --

1 Q. The pharmaceutical?

2 A. No. They buy vitamins, just mineral todody, say a
3 couple of cases, then pay for it.

4 Sometimes Donsbach actually will come down,
5 Javier or Dave Cherry will come down and bring a check from
6 the California Commerce Bank here in San Ysidro.

7 Q. Is that bought for the hospital?

8 A. Yeah. They use it down at the hospital for
9 patients there. Which is to their credit. They use great
10 product.

11 But at any rate, all of this money now, that I
12 know, that Donsbach -- in the last year or so he's had
13 high-priced San Diego and L.A. tax attorneys who have convinced
14 the I.R.S. he's a pauper. And that he pays "X" amount a month
15 against 160,000 back taxes he owes. But he actually owes
16 taxes -- he owes on four million dollars he's never claimed.

17 Okay. Now --

18 Q. Well, that four million, that's just the cash that
19 came back from San Diego, not including what he took off the --

20 A. Well, that's both.

21 Q. Not --

22 A. San Ysidro -- excuse me -- out of Santa Monica.

23 Q. Right.

24 A. Rosarita Beach. Bring that cash unclaimed on
25 either side.

26 Now, to keep things kind of straight and to defend
27 himself against all suits -- he has -- I don't know how many --
28 you might say hundreds of suits, civil suits against him and his

1 companies. He's put himself in a position where he has a
2 holding company which is called Cresburg (Phonetic). He has
3 an offshore trust, personal trust in the British Virgin Islands
4 called Cresburg Limited.

5 Q. I was told by one person they thought it was --

6 A. Gibraltar. That's the one that Hila/AB --

7 Q. Okay. We won't get into that one.

8 A. That's Yron Asp (Phonetic). He's a Swed whose name
9 everything is in now, including Donsbach's shares in the
10 Hospital Santa Monica and everything on this side. In fact,
11 the 2 percent royalties we pay him go to Hela/AB, into his
12 account. And then Donsbach gets his back out of this account.

13 I know he's got a new car, and buying for --
14 paying for his house, a half million dollar house in Bonita.
15 You know, he claims to be a pauper. Of course, the money isn't
16 paid directly to him. All royalties, five different companies,
17 that I know of, go into this Hela/AB account. Whether it's
18 here --

19 Q. Is that Hela with --

20 A. H-e-l-a slash AB.

21 Q. I got you a little bit off track. You were
22 talking about an account that went down to the Virgin Islands.

23 A. Uh-huh. Okay, that is a personal trustee, which
24 is a holding company which owns 51 percent of the shares of
25 everything he's involved in.

26 Q. Okay. The name of that company or holding company?

27 A. Is Cresburg.

28 Q. Okay.

6
1 A. BVI Limited. And the BVI are in brackets.
2 British Virgin Islands. That owns 51 percent of everything.
3 Although it doesn't appear, for instance, in Hospital Santa
4 Monica, although he owns 51 percent through Cresburg, BVI,
5 Limited.

6 He has two agents. Umberto Semonda, who's a
7 medical doctor, who's the chief of staff down there at Hospital
8 Santa Monica, and another doctor by the name of Dr. Vascara,
9 who's a -- he's from Central America, came up and got Mexican
10 citizenship. Those two guys are his agents, and on the surface
11 paper it shows them owning those shares.

12 Q. Combined?

13 A. Of stock combined. But in a drawer in the bank
14 there is a letter from the attorneys saying that they're his
15 agents and he actually owns them.

16 And so I don't know what you call that. They're
17 his representatives in Mexico. So that they meet the legal
18 requirements of Mexico.

19 Q. Because only Mexican Nationals can own property?

20 A. Uh-huh, uh-huh. And then the same way with
21 companies on this side, they're either in the name of Hela/AB or
22 they're in the name of Cresburg, BVI, Limited. But he's the
23 owner of all that.

24 Q. Doesn't he have a lot of property under the names
25 of other people?

26 A. Yes.

27 Q. Just like the two doctors?

28 A. His daughter, Kathleen, she's about 6 years old

6 1 now, maybe more, 6, 7. Everything in Mexico is in her name,
2 because she's a Mexican citizen, has a Mexican passport.

3 Q. Because her mother is Mexican?

4 A. Uh-huh. And she was actually born over there,
5 purposely, so that everything is in her name.

6 Now, he and Kathleen -- her mother is divorced, and
7 he has custody of the child, which is part of the divorce
8 settlement, and the child lives with him in another house in
9 Bonita. The wife, Diana Donsbach, got the first house in
10 Bonita.

11 Q. Oh, she lives in the United States?

12 A. Uh-huh.

13 Q. Does she still own any part of the Hospital Santa
14 Monica?

15 A. No. The child -- it's in the child's name. And he
16 is the -- what do you call it?

17 Q. Trustee.

18 A. Trustee for the child in Mexico and the United
19 States.

20 So he makes all the decisions, although it's
21 technically in her name. Do you think a 6-year-old child is
22 doing all the wheeling and dealing?

23 Q. Or getting a big bank account.

24 A. Yeah, exactly.

25 So at any rate, he's getting a new house, half
26 a million dollar house, a brand new \$40,000 sports car, always
27 has new clothes, travels whenever he wants to. But he's
28 broke.

1 Q. He testified that he hasn't made any money yet this
2 year.

3 A. Well, nobody has written him 1099s or what you call
4 them, W10s, W40s, whatever they are, because it all goes into
5 this Hela account.

6 Q. Which is controlled absolutely --

7 A. Well, I'm sure Yron Asp's joint account. The
8 account probably shows -- I'm guessing now. I would say it
9 would show Hela/AB, Yron Asp, is what it says on the checks. And
10 then as a cosigner or alternate signator would be Donsbach's
11 card in the bank.

12 And then probably an automatic withdrawal for the
13 new car, for the house mortgage, bank payment, automatic
14 withdrawals, credit cards. Which he has American Express, Visa,
15 MasterCard.

16 Q. Is this -- what other companies are under the
17 Umberto corporation?

18 A. Hospital Santa Monica.

19 Q. Is under Hela or Cresburg?

20 A. Well, both. Because it's only Cresburg U.S.A. or
21 BVI -- excuse me -- Limited, which owns 51 percent of the
22 shares.

23 But on the paper in Mexico, in the corporate
24 papers, it shows Umberto Semonda and Viscara as owning those
25 shares. But in the drawer they are his representatives in
26 Mexico, and he really owns them. But on the surface they're
27 the technical names for it in Mexico. But I don't know --
28 agents I think is the word they use.

7 1 Then there is the Wellness Life Style, Inc., which
2 Donsbach still owed.

3 Elmer Heinrich, from Rockland U.S.A., in Tulsa,
4 Oklahoma, was owed over \$100,000 from a Eagle Network Marketing
5 deal.

6 Q. That's where Donsbach was buying the --

7 A. Toddy.

8 Q. -- todody line?

9 A. Uh-huh. From Rockland. Rockland foreclosed on
10 Donsbach. He didn't make the payment and he was like 120,000
11 behind on payments. So Elmer Heinrich and Rockland foreclosed
12 on him.

13 And since he kept the income from those months,
14 he still owed Rockland U.S.A. and Elmer Heinrich that money,
15 which he never paid.

16 So, as I understand it, Rockland and Elmer Heinrich
17 had the hospital and some other things as security in the
18 original purchase agreement. And Elmer was threatening to take
19 the hospital, you know, in the second foreclosure for the back
20 money owed.

21 And Donsbach, just three or four weeks ago, settled
22 with him by giving him Wellness Life Style, Inc., which was the
23 Dr. Donsbach line, if you will. His full name. Dr. Donsbach.
24 Which is a health food store line of products. And just
25 recently Rockland U.S.A. took that as partial payment or as
26 payment for the back moneys owed because of the foreclosure.

27 Q. One hundred twenty thousand or so?

28 A. Yeah. But that company was worth more than that.

7 1 So Elmer Heinrich is paying Donsbach every month the balance,
2 which is about \$300 -- another \$300,000 coming back to
3 Donsbach, who will claim he's not.

4 Q. Three hundred thousand a month?

5 A. No, no. Three hundred thousand is probably --

6 Q. Total?

7 A. Total.

8 I'm sure he's paying a percent of the gross every
9 month to Donsbach, and it's probably going in the same Hela/AB
10 account and then coming back out into Donsbach's pocket.

11 Q. The company is Dr. Donsbach's products?

12 A. Uh-huh. It was a health food store line of
13 vitamins and minerals.

14 Q. Wasn't that at the time being sold to a couple of
15 other people?

16 A. Oh, yes. In fact, Donsbach, because of his
17 greed to this day, all of his land projects, shorted everybody.
18 He owes me \$36,000. He owes David Cherry, Steven Whiting, and
19 Hal Card each probably 10, 15,000, 20,000, \$30,000 in
20 settlement.

21 He gave them the Wellness Life Style, Inc. in the
22 form of shares. He gave each of them 2 -- I don't know, 26 or
23 28 percent, or maybe 30 percent of the shares. Maybe 25
24 percent. He kept 25. Gave Cherry 25 percent; Whiting had 25
25 percent; and Hal Card had 25 percent.

26 Those three guys were supposed to pay Donsbach
27 royalty. They did for three or four or five months.

28 Q. To buy off Donsbach's 25 percent?

1 A. No. Just to -- it was part of the agreement to pay
2 for --

3 Q. The combined 75?

4 A. He owed them that because he owed them the money.
5 But just going to pay a royalty for the use of his name.

6 Q. A separate deal.

7 A. A separate deal.

8 If they changed the name of the product, they
9 wouldn't have to pay a royalty. If they wanted his good name,
10 so to speak, they would have to give him a 2 percent royalty.
11 Which they paid him for four or five or six months, however much
12 it was.

13 When Elmer was putting so much pressure on him to
14 take the hospital as security on his foreclosure, then he
15 jerked it back from them.

16 He paid David Cherry something to go in with him
17 so their combined stock outvoted the other two by one percent,
18 by one share, or something. And the clever fox got to take it
19 back. And he gave it to Heinrich and Rockland U.S.A. to save
20 the hospital. Which has now left Hal Card and Steve Whiting
21 very upset with him.

22 Q. Holding the bag?

23 A. Holding the bag, as it were, or the vitamin bottle.

24 Q. What were the -- you mentioned property deals.

25 A. Uh-huh.

26 Q. What were those?

27 A. I'll tell you a funny one. The only time I know
28 that Donsbach has gotten screwed.

1 Q. Okay.

2 A. Which he deserves.

3 He coveted two houses right on the beach that
4 the total worth of them is somewhere around \$500,000, just
5 west of the hospital, the next level down, right on the beach.
6 Two beautiful houses. And the guy wanted 500,000 for two houses
7 combined, all the property.

8 So the deal went like this, Donsbach was going to
9 transfer three or four beach lots, which were under the hospital
10 tennis courts, which he used exclusively. And so he signed over
11 -- as a down payment he signed over these three lots, three or
12 four lots, whatever it was, and the tennis courts to this fellow
13 and gave him 120,000 cash in a Samsonite suitcase as a down
14 payment for these two houses.

15 Q. When was that?

16 A. That was about 14, 15 months ago.

17 Q. Okay.

18 A. I'll tell you why I know that.

19 Then he was supposed to pay off the balance in
20 \$20,000 a month. Which he did for a couple of months. He
21 couldn't make the payment with all the other stuff going on,
22 so he stopped.

23 And then about four months ago, when Donsbach
24 said, okay, I'm ready to start paying you again, he said, "Well,
25 it's too late. You forfeited the land and the 120,000 down
26 payment, which was nonrefundable."

27 So Donsbach set a bunch of Mexican attorneys on
28 him. The statute of limitations for land fraud in Mexico is

1 one year. They didn't go after him until about 14 months, so
2 the case is over.

3 So the guy wound up with three lots underneath the
4 tennis courts, the tennis courts, \$120,000 cash from Donsbach,
5 plus 500,000 from the other sale.

6 Q. That's not bad.

7 A. That's pretty good.

8 Q. Was he buying property -- he owned property in the
9 United States?

10 A. He owns property in the United States. He owns
11 property -- maybe 40, 50 lots all around the hospital in Mexico.
12 But, again, because of this pressure on him from all these civil
13 suits, of course those lots are owned in the name of Kathleen
14 Donsbach, his 6 year old daughter.

15 So what he has done, to be safe, it is my
16 understanding, is turn all that land over to the guy he was
17 buying it from by the name of Fidel something or another, which
18 is easy enough to find out. He's now managing the hospital.
19 And on paper all that land reverted to Fidel in exchange for a
20 monthly royalty to Donsbach. But it doesn't go to Donsbach, it
21 goes to this Hela account. That I know for a fact.

22 Q. How do you know that?

23 A. Because he convinced the Sweds, who owned Hela, to
24 give him \$250,000 for shares in this big operation, which they
25 did, and he spent 250,000 on various projects of his. And so in
26 exchange for 250,000 he says all funds going into the hospital
27 will go into the Hela account, and they'll pay him what he's
28 due. And so they're governing that account now.

1 Q. So Hela is run by --

2 A. The Swedish bunch, Yron Asp.

3 Q. And do you know any of the names of the others?

4 A. I can find out for you. Yron Asp is the --

5 Q. Top?

6 A. -- top.

7 And how they got involved is about two, three --
8 two and a half years ago, Donsbach was expanding into Europe
9 with his health food, vitamins and minerals.

10 Q. When owning the Polish clinic?

11 A. Uh-huh. The same Polish -- Institute Santa
12 Monica. And he owns 17 percent of that. I believe it's through
13 his Cresburg, BVI, Limited. Okay?

14 At any rate, they are the biggest distributors of
15 vitamins and minerals in Europe. All of Europe. They sell
16 vitamins and minerals all over Europe. And, in fact, they own
17 23 or 28 health food stores in Sweden themselves.

18 Q. The Swedish consortium?

19 A. The Hela bunch, Hela/AB.

20 Q. Okay.

21 A. And he's very -- Donsbach is very famous in
22 Europe. His little booklets have been translated into eleven
23 languages. He sold 11 million copies of those books. That was
24 three or four years ago. Probably sold 15 million of those
25 little books. He's very famous. He's considered a grandfather,
26 kind of Norman Rockwell. The little fat pharmacist with his
27 half glasses on the end of his nose, talking to little kids and
28 giving them candy and whatnot. So he's the St. Nicholas of the

9 1 vitamin and mineral business in Europe. So -- and they don't
2 know about any of his troubles over here. He's managed to keep
3 himself clean over there.

4 So at any rate, why don't you let us be the sole
5 distributors of your vitamins and minerals, and we'll give you a
6 royalty, which, of course, he readily accepted.

7 Q. So the Hela bunch is distributing the Dr. Donsbach
8 line of product?

9 A. Uh-huh.

10 Q. And book --

11 A. In Europe.

12 Q. And Donsbach --

13 A. Some of which are being manufactured here and sent
14 over there by the pallet load. Some of which are being
15 manufactured there under his name.

16 Q. So he gets a cut of all Europe --

17 A. European sales.

18 And we've calculated, his former CEO, Peter
19 Holiday, who's my partner in this business, he and I have
20 calculated that with all the royalties Donsbach is getting
21 he's making between 50 and \$75,000 a month in royalties.

22 Q. Just the royalties?

23 A. Just the royalties. Nothing else about the gross
24 profit from all the businesses which he has control of and the
25 cash flow, including the hospital Santa Monica Pharmacy, which I
26 promise you is not a legal business, and that's not being shown
27 anywhere.

28 Q. What do you think he does with the cash? You get

9 1 caught when you start depositing large chunks into the bank.

2 A. Well, some of it is out of his account in Mexico.
3 I'm sure it gets wired to Cresburg, BVI, Limited right from
4 Mexico.

5 Q. Directly?

6 A. Directly. Just gets wired to the Mexican banks.
7 They, I'm sure, are used to drug dealers, used to wiring money
8 all over the country or the world. So that's the cash brought
9 in on this side.

10 He's very big on cash. Wherever he goes he has a
11 wad that could choke an elephant in his pocket, plus credit
12 cards. Although he's broke, he has several thousand dollars in
13 cash in his pocket.

14 Q. But does he stock-pile it somewhere? Or is he
15 taking it out of the country in his suitcase?

16 A. I know he has two safes in his house.

17 Q. Two safes?

18 A. Two safes. One he took from the house his former
19 wife was given in the divorce settlement.

20 It took eight guys to lift one of these. It's like
21 maybe five foot, six foot tall, and two and a half feet wide.
22 Three or four drawers, with three inches of concrete. Like a
23 two-hour fire safe. And it took eight of us to lift the thing.
24 Had to take the drawers out to be able to lift it.

25 He had bags of money in it and -- you know, it
26 made me nervous, all of this money. I said, "Yeah, there is
27 money in here." Donsbach said nothing. He just threw the
28 bundle of money into another box. "Let's get it out of here."

9 1 Q. Where is his new house?

2 A. The new house is a couple of blocks from the
10 3 original one, right there in Bonita.

4 Q. Is that -- and that's under whose name?

5 A. I'm sure it's either under Yron Asp's or Hela/AB.
6 Although -- and I know for a fact that for the down payment,
7 which was like \$140,000, Yron Asp put up the money. But I'm
8 sure it came out of one of these accounts that Donsbach's
9 royalties have been going into.

10 And so he lives there with a built-in safe. That
11 was one of the features he liked. Which is the second safe.
12 And he bought the house for two reasons. One, the Bonita
13 location, which he likes to be real close to his private tennis
14 court or tennis club that he has a membership in, this pauper.
15 And so just like a three minute drive to the tennis club.

16 Q. He's big into tennis?

17 A. He's a big tennis player. He fancies himself a
18 McEnroe.

19 Q. All this cash that comes in, I'm curious about
20 whether he's just stuffing his mattresses with it, or taking
21 it out of the country in suitcases, or money laundering?

22 A. It's a combination of all of the above.

23 Jim Lagoni's father, whom we said was one of the
24 drivers, has a big yacht brokerage somewhere like Long Beach or
25 Huntington Beach, or something like that. His name is Les or
26 Leslie Lagoni, and he's been funding the development of this
27 Reach project for Donsbach.

28 But with all the money that they have coming over,

1 I can't imagine him borrowing money from a yacht broker at 12
2 percent. I suspect because he has multi-million dollar yachts
3 that a lot of money is going into their account and coming back
4 out and being loaned to Donsbach. Of course, he'll never be
5 repaid one of those kinds of loans. He may be paying him a
6 percent interest every month against the loan.

7 Q. And then Lagoni gets to write it off as a bad
8 loan?

9 A. Exactly. Plus the interest as his part of the
10 bargain. That would be my guess.

11 Q. Yeah. Of course, I have represented someone who
12 may want to collect a judgment against him and his lawyers say
13 this guy is claiming he's a pauper.

14 A. Well, like I say, he's personally getting
15 royalties of 50, 75,000 a month. And that they're all going
16 into other accounts in other names. He has access to them. And
17 there actually are checks -- our company is paying him a royalty
18 of 1,000 a month. That's 12,000 a year right there.

19 Q. That's going to?

20 A. To Hela/AB. But it's deposited here in this
21 country.

22 Q. In an account for Hela?

23 A. Uh-huh.

24 Q. And that's at what bank?

25 A. Now, I don't know that off the top of my head. My
26 partner, Peter Holiday, you might be able to ask him.

27 Q. Okay. Do you know anything about routing insurance
28 claims through the North American Health Insurance Coordinators?

1 A. Uh-huh.

2 Q. How does that work?

3 A. Okay, it started out with Jerry Anthony doing that
4 directly as an agent for Hospital Santa Monica. But Donsbach
5 felt that at 10 percent he was paying him too much money. For a
6 while he had a woman, which he still has, working, her name is
7 Peggy Hanna. She worked for Jerry for a couple of years. She
8 got the know. So he fired Jerry. Jerry is ticked off at him.
9 So he saves 10 percent. Of course, he gives her 2,000 a month
10 and he's paying Jerry Anthony 10 percent of four million;
11 400,000. So that's a big discrepancy. He gets rid of Jerry
12 Anthony.

13 And Peggy Hanna doing that, plus doing the
14 insurance administration, she got behind. So they went to North
15 American Insurance.

16 They would come here all the time in Suite 102
17 and talk about individual claims. They had agents who would
18 come down here and talk about individual claims and formats
19 and whatnot. I was never in on any of those conversations.
20 But they would come down, one fellow, tall blond guy, had a
21 long ponytail. I don't know his name. I would recognize him
22 again.

23 Q. And North American would put in the claim on
24 behalf --

25 A. Of Hospital Santa Monica.

26 Q. Then North American would receive the money and
27 send it to the Hospital Santa Monica?

28 A. In exchange for a fee.

10

1 Q. Percentage. I think 15 percent?

2 A. Uh-huh.

3 He should have stuck with Jerry Anthony. He was
4 only getting 10.

5 Q. Yeah. The fact is, at one time he was taking 15
6 percent and sending it to --

7 A. That was supposed to be a deal with all the
8 hospitals.

9 Q. Right. That --

10 A. That was North American.

11

11 I wasn't in on much of that. That was pretty much
12 general knowledge that came out in NHF discovery.

13 Q. The money was sent to Hospital Santa Monica.

14 Once it reached there, do you know what happened to
15 it?

16 A. Yeah. Again, that was deposited. The insurance
17 checks were deposited in the Hospital Santa Monica account and
18 then, because they were only claiming a small portion of that,
19 and a small portion of the patients, who were in reality -- the
20 rest of it would come out of the bank account in the form of
21 cash or cashier's checks and come through the border to the
22 tune of 75 to \$150,000 a month.

23 So you add that up in over a four year period.

24 Q. Okay.

25 A. Don't have to be a mathematical genius to figure
26 that one out.

27 Q. Getting into numbers beyond me.

28 A. Yeah, almost.

1 Q. Do you know of any business records or records of
2 any of these transactions that are located anywhere? Is
3 Donsbach one of these guys who keeps records of any of his
4 businesses?

5 A. Okay, the one guy who keeps the double books is
6 Javier Valdivia. He has the books he shows the Mexican
7 government. He has the books he shows Donsbach.

8 Q. Yeah.

9 A. He comes over twice a week and they go over these books.
10 And he gives Donsbach the brief case full of money, money
11 orders, and cashier's checks, and then that gets cut up over
12 here on Bonita Road. Used to be done here in Suite 102.

13 Q. They take care of business, they arrange all the
14 books twice a week?

15 A. Uh-huh.

16 Q. Do you know whether they are kept at the hospital
17 or on his person all the time?

18 A. Brief case. So if somebody could grab him at the
19 border or going --

20 Q. Going in or coming out?

21 A. Coming out he would not have much on him.

22 Q. Yeah.

23 A. But coming out of Mexico, going into the office on
24 Bonita Road.

25 He has about a 1982 Nissan, kind of metallic gold
26 or kind of goldish-beige color, metallic. And it's a Nissan,
27 I think. I'm trying to remember if it's a two door or four
28 door.

1 Q. What about Joe Lisa, did you ever meet Joe?

2 A. I met Joe Lisa. I've gone to Mexico and had a
3 barbeque and drank a few beers. He's a pretty eclectic fellow.
4 He makes a living as a private investigator.

5 Q. Are you familiar with his relationship with
6 Donsback?

7 A. Sure. That was no secret. He did
8 investigations for Donsbach on many, many people, including
9 Maureen Salaman. He did investigations for Donsbach.

10 Q. Donsbach paid him?

11 A. Uh-huh.

12 Q. Do you know where Lisa kept his records or how he
13 reported to Donsbach, anything like that?

14 A. The records I saw that he produced on -- well, he
15 actually produced several records that I saw. One of which was
16 on Victor Herbert and William Jarvis. Another one on Maureen
17 Salaman. A book was eventually made out of the Victor Herbert,
18 William Jarvis materials.

19 Q. Which one was that?

20 A. Which book?

21 Q. The Great Medical Monopoly Wars? Do you know if
22 it was Renner instead of Jarvis?

23 A. All three of them.

24 Jarvis was mentioned, a big chapter on Renner.
25 Also they had -- Joe Lisa had a Ph.D. thesis. They had a lot
26 of stuff on all three of them, stacks of everything, from any
27 depositions they ever gave, to birth certificates, to medical
28 records, war records, job records, letters that they had sent to

11

1 each other and various people. And then the same thing with
2 Maureen Salaman. Many other people.

3 Joe Lisa was the favorite investigator for
4 Donsbach.

5 Q. Was he still using him recently?

6 A. Let's see, the last time that I know that Joe Lisa
7 worked for Donsbach was -- it could have been three or four
8 months ago.

9 Q. That recently?

10 A. Uh-huh. That company -- Lisa was here while they
11 were still over there.

12 Q. Did you see the document -- well, for example,
13 like Herbert's, the documents on Dr. Herbert?

14 A. Oh, yeah.

15 Q. Did you see Donsbach and Lisa with those
16 documents?

17 A. Well, the original -- I mean, the original business
18 transfer of those documents from Lisa to Donsbach occurred
19 before I appeared on the scene. I mean, the book had been
20 written and blah, blah, blah. I mean, on file here in Suite
21 102.

22 Q. Donsbach had them in his

12

23 A. office? Uh-huh. And then

24 Q. The reason I ask is because he claimed under oath
25 no knowledge of them. I know you're surprised.

26 A. Surprised. But I know he has seen those papers.
27 When the first time he saw them is, I don't know, because that
28 occurred before I arrived.

1 Q. Okay.

2 A. But --

3 Q. So Donsbach has file drawers with this information?

4 A. Uh-huh.

5 Q. In his possession somewhere?

6 A. Uh-huh.

7 Q. Do you think they're at the Bonita office?

8 A. Could be. Could be at his home. Could be at his
9 Bonita home. Could be at the hospital down in Mexico. I mean,
10 they have stuff here and stuff there. I know there was an
11 effort -- I know the pharmaceutical, Hospital Santa Monica
12 Pharmaceuticals, used to be World Pharmaceuticals, they rent an
13 apartment.

14 They feel nervous if somebody asks a question about
15 the price or stops ordering, or if a C.O.D. gets refused. They
16 drop -- they rent apartments month to month. Drop this one and
17 move to the other side of town.

18 Q. In Mexico?

19 A. Here in San Ysidro, Chula Vista.

20 And then when they felt comfortable, they would
21 work out of Dave Cherry's house and save \$800, and then jump
22 to an apartment.

23 Q. Does he work all records like that, hide them in
24 the apartments, or --

25 A. The records from the pharmaceuticals are moved
26 around these apartments and Cherry's house, the hospital in
27 Mexico. Then Lagoni and a bunch of Mexican mules bring things
28 across the border in stacks.

1 If there is a rush on something, Onco-Tox -- for
2 instance, and they sell out here, they'll take some from the
3 hospital and smuggle it back across the border.

4 Q. Now, is that drug smuggling from Mexico to the
5 United States?

6 A. Uh-huh.

7 Q. Because it's a controlled substance?

8 A. Right.

9 And they sell a lot of stuff that way. Again,
10 Tomaxa is a standard prescription for a chemotherapeutic agent,
11 Flutamide.

12 Q. Do you know how they bring it across?

13 A. Oh, sure. In brief cases in the side panel of
14 little yellow trucks. Underneath the seat when they bring
15 patients back to the airport.

16 Donsbach used to bring stuff across himself in his
17 tennis bag, tennis racquet and stuff. He was very bold that
18 way.

19 Q. Did anybody ever get caught?

20 A. No.

21 Then he -- 25,000 tablets at a whack. Put the
22 tablets in a box that big (Indicating), just in plastic bags,
23 and molds them into his dirty socks and puts sweaty clothes on
24 top of them. The guy at the border thought it was a bunch of
25 dirty socks in there. Nobody ever got caught.

26 Q. Gives me a lot of confidence about our border
27 patrol.

28 A. Yeah.

1 Q. Back to Lisa.

2 A. Uh-huh.

3 Q. Do you have any other personal knowledge of Lisa
4 working on projects, or how Lisa was paid? Was he paid by
5 Donsbach?

6 A. Yes, he was paid by Donsbach.

7 Q. On a regular basis?

8 A. On a regular basis. I'm sure it was cash. There
9 was no paper trail. But --

10 Q. Didn't Lisa live in Mexico for a while, or still
11 is?

12 A. He'd float back and forth. You know, when I went
13 down and had a barbeque he was renting some apartments down
14 there.

15 Q. He used to be with the Church of Scientology.
16 Was he working with them at the same time he was
17 working with Donsbach?

18 A. Not to my knowledge. This was all private. I
19 don't think the Church of Scientology was involved in this at
20 all. This was his private P.I. business that he did for a
21 living.

22 Q. Did Lisa ever -- did you ever hear about how Lisa
23 collected all this information?

24 A. Yes. These are notorious stories.

25 Q. Okay.

26 A. He would go into, for instance, the office of the
27 State Medical Board and say he's a reporter, show them a press
28 page. Say, "I'm writing a story about health fraud and quacks,"

12 1 this, that, and the other thing.

2 They would fall all over him to give him stuff.
3 You know, here's a letter from this guy, a letter from this
4 guy. Here's what they're doing in this state. And this is
5 how he collected the information. They just would give it to
6 him. It was that simple.

7 Show them a press page, say he was doing a story
8 against people using vitamins and minerals, health fraud, and
9 health quacks, and they would give him everything. Nobody ever
10 called his boss, which didn't exist.

11 Q. Do you know if he ever broke into any place?

12 A. Never had to, because everybody gives him
13 everything.

14 Have you ever met this guy?

15 Q. No. I missed him.

16 A. Very interesting fellow. Very believable, you
17 know, kind of yuppie-looking guy. And, you know, he would say
18 he was doing a story against health fraud and quacks, I really
19 need any documentation you have of the activities you're doing
20 to help suppress health fraud and quackery. And everybody just
21 coughs it up to him. Kind of like somebody in a wheelchair
22 with cameras around saying cure me of my cancer.

23 Q. Got to do research. I know it happens. Some
24 people are better at it than others.

25 A. He's good at it. He's very good.

26 Q. Maybe I have met him and just didn't know.

27 A. It's possible.

28 Q. Have you ever heard about -- have you heard

1 anything about Donsbach and Lisa forming a group -- and
2 others forming a group to get even with Dr. Herbert, Dr.
3 Renner, Jarvis and those?

4 A. No.

5 Q. I've gotten rumors.

6 A. Well, I mean, I don't put that beyond his scope of
7 imagination. But I've not heard of that.

8 Q. A slightly different subject.

9 Are you at all familiar with the operation of the
10 IAT clinic down in Mexico?

11 A. IAT. I don't know.

12 Q. Burton's clinic.

13 A. No. I don't know.

14 Q. Or Frank Wiewel?

15 A. He's a writer, isn't he?

16 Q. Well, he's the head of the IAT Patient Association.
17 Now goes by People Against Cancer.

18 A. No.

19 Q. I was just wondering if there is a connection
20 between them working with Donsbach.

21 A. No, I don't know.

22 When I worked for Donsbach he kind of sheltered
23 everybody from having relationships with any other groups. You
24 know, you couldn't work for him and be involved with anybody.

25 Q. Not even talk to them?

26 A. No. He did all that.

27 And since -- in this business we don't get involved
28 in any kind of clinics and stuff, so have no reason to.

1 Q. Okay. Well, I was wondering if you had any
2 meetings together you might know.

3 A. No, I do not know.

4 But knowing Donsbach like I do, if this mistrial
5 let's him off the hook completely, he will be forming a --

6 Q. Getting --

7 A. -- retaliation project.

8 You can see it on billboards all across the United
9 States, Donsbach whips Herbert in court. You'll see it.

10 Q. I'm waiting for it. I can't wait.

11 On the nephews, I understand that a lot of it --
12 the property is in the names of his nephews?

13 A. Oh, Tim Donsbach.

14 Q. Is that the only one?

15 A. Tim Donsbach works out of that same office
16 with Kurt. complex

17 Q.

18 A. The Bonita office?

19 Uh-huh. And he used to work over here.

20 seven, eight ~~years~~ ~~And~~ ~~he~~ ~~does~~ ~~for~~ ~~the~~ ~~books~~ ~~don't~~ ~~know~~ ~~is~~ ~~six~~,
21 And Javier does all the books in Mexico. And all the companies
22 are -- Tim is the president of all the companies on the American
23 side. So this is very incestuous.

24 Q. Yeah. Does he have any control of the operation,
25 the money?

26 A. He has signature power jointly. Has to be two
27 signatures, either Cherry and Tim Donsbach or Tim Donsbach
28 and Javier, or Javier and Cherry.

1 But it's Donsbach who pulls the strings and --
2 like I say, they couldn't pick out toilet paper, spend \$5
3 petty cash without Donsbach first giving them instruction to
4 do so.

5 They'll have product sitting in the warehouse
6 and a company would go to them, "I want to buy six cases of
7 this product." "Sorry Donsbach has got to approve that before
8 we can sell it to you." That's how his operations go.

9 Q. Tell me about Cherry. Now, he does -- Cherry -- is
10 Cherry familiar with the handling of the money?

11 A. Dave Cherry is very familiar with that. He's been
12 the closest associate with Donsbach the longest. He's been
13 with Donsbach since he was 16 years old. He started out
14 copying, the copy boy, just on a printer and all that stuff
15 at Donsbach University. And now he's one of Donsbach's most
16 trusted employees.

17 Q. So he knows the day to day operations?

18 A. He knows everything.

19 He's red haired, kind of freckles, looks, again,
20 like a Norman Rockwell kid. But he's -- I don't know. He's
21 28 years old, 200 pounds, red hair. He seems just like the
22 good kid next door. But he knows every piece of this operation.

23 Q. Are there any other people like that, like Tim
24 Donsbach, Dave --

25 A. Dave Cherry, Javier.

26 Q. Where does he live?

27 A. He lives in Mexico.

28 Q. Okay.

13
14

1 A. Then there is -- in this Reach project, now you've
2 got Harry Alsleben. He's a defunct M.D. He's given it up or
3 had his license taken away from California medical here.

4 For a short time in Mexico he had an alternative
5 cancer therapy operation down in -- not Rosarita Beach, the next
6 one south. What the heck is that? I don't know. I'll think of
7 it. A little town down there.

8 At any rate, he had offices in Beverly Hills for
9 many years. And Donsbach felt a lot of connection, this, that
10 and the other. They got together and did the Reach project.

11 As far as I know, the Reach project is in Harry's,
12 Tim's, and this Hela/ABS name, but Donsbach is running this
13 whole thing. Of course, he gets royalties from this every
14 month.

15 Q. Now, the Reach thing --

16 A. It's an insurance type scam, called an insurance
17 or assurance co-op. And for "X" amount of money they will
18 provide for your total medical care, some serious disease, in
19 their hospital in Mexico. And then for a \$10 membership you
20 can buy all his vitamins and minerals and various other wares
21 at a 25 percent discount.

22 At one time they had a company -- just before
23 Reach was formed, they had a company that was called Dr.
24 Feelgood. Actually, I should have gotten a picture of it.
25 Above the door in Bonita. And it was a combination -- actually
26 had catalogs that had pharmaceuticals, as well as vitamins and
27 minerals all mixed up.

28 I think the attorneys told him he'd better separate

1 his illegal business and his legal vitamins and minerals. So
2 they came up with Reach.

3 Q. Before that, about a year, year and a half ago,
4 didn't he operate another insurance -- try to set up another
5 insurance company? I think you talked about in one state they
6 got shut down pretty fast.

7 A. Arizona. That's another one.

8 Q. What was the name of that?

9 A. Actually, it was a -- it was a health co-op, is
10 what it was called. And it was called the CHO.

11 Q. Confederaton --

12 A. Confederation of Health Organization. That was it.
13 And actually was kind of an afterthought. He was only invited
14 by the request of a chiropractor. Really didn't know him. He
15 knew the name sounded like it was familiar out in the
16 alternative health world. And, in fact, they're two brothers
17 out of -- one out of Florida and the other one out of Atlanta,
18 Georgia.

19 The Florida chiropractor and the one in Atlanta
20 owned a publishing company, published magazines. Their name was
21 Hass -- their name is. One of them is Marshal. And what was
22 the other guy's -- Marshal and Randy Hass are the two brothers.

23 Actually started this organization because their
24 mother was dying of cancer. And they wanted the best
25 alternative minds.

26 They actually met in Atlanta, Georgia. And there
27 is about 12 or 15 people. I'd say they're legally chartered.
28 Called the Confederation of Health Organization. And it was

1 to be a membership by organization only. No individual
2 memberships.

3 And one of the things that came out of it was to
4 offer, through a co-op, just like you have food co-ops and taxi
5 cab co-ops -- which that is how it originally started, as I
6 learned -- learned in reading about the history of the taxi cab
7 in Washington D.C. That's how a co-op got started.

8 Q. I didn't know that.

9 A. And at any rate, they felt that through this co-op
10 they could buy accident insurance and this, that, and the other.
11 And also utilize these alternative hospitals in Mexico and get
12 everything cheaper.

13 And instead of paying 400 a month for a family of
14 five for insurance, maybe get it down to 100 a month. For the
15 individual person maybe \$50 a month. So that was -- that was --
16 in fact, there was a legal co-op formed out of this association.

17 And that's maybe the one that he's thinking of
18 using for this. But if he's using that, the numbers and
19 everything of the co-op, it's illegal. He can't use it. It's
20 not his co-op. He may have done that illegally. He may have
21 up-lifted, as they say, that co-op. He may be using it. But if
22 he is, it's totally illegal, because he does not own that co-op.
23 Obviously, a co-op is owned by its members.

24 Q. Members. Right.

25 A. And the managing membership is this Confederation
26 of Health Organization. And they're supposed to keep managing
27 directorship for five years, until they're up and going, and
28 there are members who know enough about it to operate it, and so

1 forth.

2 But he legally cannot do that. Unless he started
3 another co-op. I don't know where he gets this name Assurance
4 Co-op.

5 Q. Did the Confederation of Health Organization --
6 didn't that go -- that doesn't exist any more?

7 A. It still exists. Never been disbanded. It's had
8 a couple of corporate meetings, officers have been elected and
9 whatnot. But it hasn't been active.

10 Q. That's what I meant.

11 A. It hasn't been actively recruiting membership since
12 Donsbach.

13 Again, what happened was the Confederation of
14 Health Organizations was slowly doing things legally and forming
15 the co-op. He saw this as a way to make money quick. He jumped
16 the gun and did it himself.

17 Q. Didn't he go to that very quickly after he left the
18 NHF?

19 A. Yes. It has been maybe two months.

20 But he saw big money, you know, projections and
21 everything. And so he dumped the Confederation and tried to do
22 it himself is what happened. And in Arizona and Utah that's
23 where they jumped, because he was doing it outside of the
24 Confederation and outside of a true co-op. Doing it out of
25 his own pocket.

26 Q. Just selling memberships?

27 A. Uh-huh.

28 Q. And pocketed the money?

1 A. Uh-huh.

2 Q. At the time he left the NHF, that was June of '89,
3 I believe, do you -- well, at the time he left, and then by the
4 time I enforced a subpoena for discovery about a month later --
5 by the time I got there, there were roughly two and a half years
6 worth of corporate records missing. The accounts had been
7 stripped, the computer was blank. There was no record of the
8 mailing list.

9 Do you have any personal information about whether
10 Donsbach took those documents?

11 A. Okay. Well, I would be amazed if he did that
12 personally. He wasn't there in those offices when they
13 disappeared. The most likely guess I have is Hal Card.

14 Q. Who's manager of the office?

15 A. Yeah.

16 Q. Was physically there every day?

17 A. Who used the computer every day.

18 You punch a button, you take it out, you put it
19 in your brief case, and away you go. Nothing left in the hard
20 drive.

21 So that would be my guess. I don't know. I just
22 know the mailing list for the NHF showed up here.

23 Q. That's what they used for setting up their
24 operation here?

25 A. Yes.

26 Q. Did you ever see any other what would be NHF
27 records in his --

28 A. No.

1 Q. -- warehouse or anything?

2 A. No.

3 Q. Does he have a separate warehouse from the Bonita
4 address?

5 A. He used to have one here in back of 102, just like
6 these offices. An office, just like we have, and a warehouse.
7 Then he had two other warehouses right behind here. Then he
8 used to rent these U-Store It type of things. He rents two or
9 three or four of those. And they -- one of them, you know, is
10 secret stuff. And they put all their boxes or records, illegal
11 drugs and stuff like that in there. And then the others were
12 just boxes and empty bottles and those types of things.

13 Q. Do you know if he still is renting those?

14 A. I'm sure. But they're month to month. So he'll
15 rent one for three months, get a U-haul and go to another one.
16 Or they run the product down in this one, rent another one on
17 another side of town. Always moving it around.

18 Q. Okay. Who --

19 A. So have to watch him for a long time.

20 Q. Who would know?

21 A. David Cherry.

22 Q. He's the one --

23 A. He's the one that physically does it all.

24 Q. Okay.

25 A. Javier knows most about the money coming back and
26 forth. Jim Lagoni knows about the drugs being smuggled from
27 Mexico. Ross Pelton, the pharmacist, with the California
28 pharmacy number, he knows about all pharmacy purchases all over

1 the United States and the world for Hospital Santa Monica. And
2 then Cherry is the one that U.P.S.s drugs, all the drugs around
3 the U.S. So that's your band of merry men.

4 Q. Okay. And Cherry kind of is the goofer, for lack
5 of a better term, for moving things and --

6 A. Uh-huh.

7 Q. -- dispensing Donsbach's orders?

8 A. Uh-huh.

9 Q. Okay. Do you know who the attorneys are that
10 Donsbach has been using to set up all these corporations?

11 A. It was -- just another interesting story. The
12 guy's name was Toni Gaston. Gaston is the sort of individual
13 who would have approached him, Kurt, and said for 1,000 bucks I
14 can give you good information. And he'll take the 1,000 bucks
15 and chirp to Donsbach whatever you share with him, or even the
16 fact you called him. He would let him know instantly.

17 Toni Gaston set all this stuff up. Although,
18 he's very pissed off at Kurt. Because he was working with a
19 woman, a Mexican attorney, her name is Maria, I'll have to
20 think of that. Maria something or other.

21 And they were working for a year to get Donsbach
22 back into Mexico. Again, Donsbach would give them both brief
23 cases full of cash, to the tune of 15, 20, \$25,000 for bribes
24 to the Mexican officials to get him back into Mexico.

25 That went on for, oh, a year. So I know you're
26 talking 150,000 was spent in cash that way to these attorneys,
27 both to Gaston, who was here in San Diego or Chula Vista,
28 Southern California area. And, in fact, I could give you his

1 last known telephone numbers.

2 Q. I'm sure I can find it.

3 A. He's licensed in California.

4 Q. But --

5 A. But at any rate, they told him about three months
6 ago, okay, we've now got permission for you to go back into
7 Mexico. He was peeing all over himself with joy. Right?

8 First thing he does is run down to Mexico. But
9 before he left he gives each of these attorneys a termination
10 notice. Now, you're getting \$20,000 a month cash and you get
11 used to that. So they get ticked off.

12 Before he hits the hospital, they have called the
13 Mexican health authorities and told them the deal is off. So
14 he gets down there and they -- he's so happy. Here's all the
15 Mexican authorities. He figures they're going to give him his
16 papers back. They say, "You've got until sundown to get your
17 little round butt out of the country because the deal is off."
18 And then -- I wish I could have been there to see his face. I
19 would have given a thousand dollars to see his face.

20 Q. Who kicked him out?

21 A. The federales kicked him out for land deals. He
22 was buying and selling --

23 Q. It was land deals, practicing medicine without a
24 license, or something like that?

25 A. Well, it was land deals.

26 He was buying and selling all this federal land
27 right on the beach, that he put in his daughter's name. But
28 they knew he was really doing it. And they found out about this

1 when I guess he sold the same piece to three or four people.
2 They all showed up.

3 Q. Somebody complained?

4 A. They all showed up at the same time. And they --
5 two of them came to the hospital one day and they arrested him,
6 kept him overnight in the Mexican jail. And then got all the
7 papers from Mexico deporting him, taking away his Mexican
8 passport, persona non grata, never to enter.

9 He still goes down there. He gets somebody to
10 drive him in their car and -- I haven't seen this. I heard he
11 wears a big floppy hat, sunglasses, and a cape. Can you imagine
12 this? And he goes down at night and he lectures to patients in
13 the hospital.

14 Several of us have given a couple of the Mexicans
15 in the hospital half of a hundred dollar bill and asked them to
16 call us as soon as Donsbach shows up and then we'll give them
17 the other half of the hundred.

18 Q. So they'll put him in jail again?

19 A. This time he won't get out.

20 Q. Really.

21 A. Illegal entry into Mexico, they'll keep him
22 forever.

23 Q. Is there anything you want to mention? Anywhere
24 you want to go?

25 A. I'd like to go to Hawaii.

26 Q. Take me with you.

27 (Discussion held off the record.)

28 MR. BOTTS: Let's go back on.

1 BY MR. BOTTS:

2 Q. Donsbach testified that he was a researcher and he
3 made his money reading articles and writing books -- and writing
4 articles.

5 Does he do any of that at all?

6 A. Well, when I worked for him one of the things I
7 used to do is go to the library. Let's say, for instance there
8 was a year at the University of Vancouver, British Columbia,
9 where they had a news release, every paper in the United States
10 picked it up, a UPI release that said their research shows that
11 trace mineral vanadium (Phonetic) will replace insulin in adult
12 onset diabetics.

13 I would go to the library and use Medlar and the
14 medical computer. I would pull out all the research done in the
15 last 20 years on diabetes.

16 Q. Yeah.

17 A. And then he would render that down into -- he put
18 a little paragraph in one of his news letters or something about
19 it and would create a product. So I did the research.

20 Q. Okay. And he drew a connection --

21 A. Uh-huh.

22 Q. -- between something?

23 A. In the news release.

24 MR. BOTTS: Off the record.

25 (Discussion held off the record.)

26 BY MR. BOTTS:

27 Q. Always some element of truth in what he does.

28 A. Yeah. But he sees a way of making money

1 immediately, seeing it as a cancer cure, and he produces, you
2 know, it as research shown by the Harvard Medical School, this
3 product. And he just sort of scratches out the name of the --
4 and puts in Onco-Tox.

5 Q. The books --

6 A. Okay. The books -- he did write those. His first
7 books he wrote 10, 12 years ago.

8 Q. Those are mostly designed to sell the product,
9 aren't they?

10 A. Well, initially it had to do with the vitamins.
11 He was asked to give lectures. And he brought three books, one
12 on heart disease, one was on arthritis, and I forget the other
13 one. He did this in his garage. Just on a typewriter. And
14 went to writing some. And picked up a bunch for 35 cents each
15 and sold them for a buck.

16 He sold maybe 45,000 after his first lecture, and
17 it blew his mind, so he got into the printing of these books.
18 He realized that people would pay a couple of dollars for some
19 basic information on various diseases.

20 And then he got the idea, well, gosh, if I sell
21 books that easily, just keep the price real low, use them as a
22 marketing tool for the vitamin and mineral products, which they
23 then did.

24 Q. He told you that?

25 A. Uh-huh.

26 Q. Explained it?

27 A. Uh-huh.

28 Q. Yeah, I looked through them. For example, I'm

1 looking at Multiple Sclerosis, Dr. Donsbach Tells You, and sure
2 enough you come across Octocsal (Phonetic), which Donsbach has a
3 product that fits right in.

4 And GLA, Donsbach has a GLA product.

5 A. Gamma Linolenic (Phonetic) acid.

6 Again, always an element of truth in there.

7 Like Roy Swank, Swank diet, Department of Neurology
8 at the Oregon Health Sciences Center in Portland. He would put
9 all that stuff in there and add his little piece.

10 Q. Yeah. Well, what's the deal with hydrogen
11 peroxide? How did he come up with that? Because there for a
12 while he just suddenly -- 35 percent food grade hydrogen
13 peroxide.

14 A. Okay, here's what's behind that --

15 Q. Not the medical theory.

16 A. No. It started out -- there is a priest who lives
17 in Florida by the name of -- let me think a minute here.

18 Q. Father -- wait a minute, I've heard his name. Any
19 way?

20 A. It will come to me.

21 At any rate, this priest cured himself of
22 arthritis, quote, unquote, using 35 percent food grade hydrogen
23 peroxide. And, again, this is approved under GRAS laws because
24 it's used as a --

25 Q. Topical antiseptic.

26 A. Not only that, a food preservative in plastic
27 containers of milk that you can keep on the shelf for a year
28 without refrigeration.

17 1 Father Wilhelm. I don't know his first name. His
2 last name is Father Wilhelm.

18 3 And he was on a cruise and there was this retired
4 postal inspector, Wally Grotz, was on this cruise with Father
5 Wilhelm. They were complaining -- Wally Grotz was complaining
6 about his arthritis and whatnot. The priest said, "Try this
7 stuff." And Grotz tried it and low and behold, quote, unquote,
8 he cured his arthritis.

9 Q. Was he drinking this?

10 A. You put it in water. Obviously you can't drink it
11 straight. So many drops, 20 drops or 100 drops a day in water.
12 And he claims it cured him of his arthritis.

13 Well, at some health exposition Wally Grotz gave
14 a lecture about this and gave this account. And Donsbach's
15 wife, Diana, happened to go listen to that lecture, and she
16 heard the story and told Kurt about it. He just laughed about
17 it. She insisted he go listen.

18 And so Kurt went and listened to the guy, talked to
19 the guy, and got the hydrogen peroxide very cheap, and he made a
20 product out of it called Super Oxy Plus.

21 And instead of putting the drops of food grade
22 hydrogen peroxide in the water, which is very yuckie tasting,
23 it tastes like galvanized metal, and you can't get above 18 to
24 25 drops a day otherwise you'll feel like you're seasick or
25 whatnot.

26 And so by putting food grade hydrogen peroxide
27 in aloe vera juice, you can tolerate a lot more of it. And,
28 of course, the idea being that -- and here's where you blend in

1 the research that supports this. That there are certain
2 diseases that are an anaerobic processes. If you increase the
oxygen level of the tissue you slow down the process or
3 4 eliminate it. So this is the gist behind it.

5 Of course, he'd have me run to the library, go
through the articles on I.V. hydrogen peroxide, which has been
6 7 used since 1840, because they didn't have antibiotics until the
8 second World War. So they were using this on gangrene, gun shot
9 wounds during the civil war, various disease outbreaks.

10 And they have a booklet called Oxygen, Oxygen by
11 Donsbach. One of the three books. He listed a lot of these
12 references, which are actually in the scientific literature,
13 which he uses them as reference for his claims.

14 So that's the story behind oxygen.

15 Q. Okay. But then he comes up with Super Oxy Plus?

16 A. Uh-huh. This is --

17 Q. Five delicious flavors.

18 A. Exactly.

19 This is the thing that has always kind of amazed
20 me, is that he takes that and then he'll have literature
21 promotions and then it will say this is the only place to get
22 the hydrogen peroxide, the best kind.

23 Then because he made a big deal out of it, 18 other
24 companies have an oxy product on the market.

25 Q. Sure.

26 A. And if you look at his history, he never patented
27 or copyrights any name or product.

28 Now the big boom is in oxygen therapy. Oxygen

1 products they're called.

2 Q. He's --

3 A. He's the one that made it big time.

4 MR. BOTTS: Off the record.

5 (Discussion held off the record.)

6 MR. BOTTS: Let's go back on.

7 BY MR. BOTTS:

8 Q. You handed me a couple of things earlier. I want
9 to make sure they're reflected in the record. One is a pamphlet
10 by -- on Reach.

11 A. Uh-huh.

12 Q. And the other is a pamphlet --

13 A. I happened to get this in the mail.

14 Q. The Reach pamphlet?

15 A. The Reach pamphlet, in the mail, from the State of
16 California. They have a little machine here pointing to N.D,
17 Nancy, David degree. With a question mark. Because he's
18 already been told that he can't use that because he doesn't have
19 a legally obtained degree. They took his license away, because
20 of that. Here it shows up again.

21 Q. So this Reach thing came out recently. In the last
22 month or two?

23 A. Six months.

24 Q. And then another -- you gave me a kind of yellow
25 colored pamphlet called "An Open Reply by Kurt Donsbach." It's
26 about 30 pages.

27 A. Uh-huh. Yeah. That's in reply to -- what should I
28 say it is? Allegations against him by various parties who have

18 1 suits against him, including the National Health Federation and
2 Maureen Salaman. And, you know, his name was appearing in
3 various magazines, everything from the Reader's Digest to this,
4 that and the other, talking about fraudulent degrees and degree
19 5 mills and this and that. So he felt obligated to make that
6 little pamphlet and put it -- in every order that went out, he
7 put that pamphlet in.

8 Q. Orders from which company?

9 A. This would be the vitamin company or whatever, that
10 Confederation of Health Organization. You know, he wanted to
11 try and keep his name in good stead. So he had that -- any time
12 somebody raised the question, what about this, Kurt, he would
13 give them that so he wouldn't have to go over it again.

14 Q. This was written when?

15 A. About a year ago.

16 Q. Okay. Did he ever comment to you about Victor
17 Herbert? Express an opinion on any of the quack busters, me,
18 for that matter?

19 A. I know one time he was on T.V. on a debate with
20 Victor Herbert. Is that correct?

21 Q. Could be. I don't recall.

22 A. I think it was. He did a T.V. debate with Victor.
23 He had a copy of that tape. He used to love to watch it. He
24 thought he won the debate. And he never had any kind words for
25 Victor Herbert.

26 MR. BOTTS: Okay. Let's go off for a second.

27 (Discussion held off the record.)

28 MR. BOTTS: Thirty days time.

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(Whereupon the sworn statement adjourned at 3:43
p.m.)

-oOo-

I declare under penalty of perjury that the
foregoing is true and correct; that I have read my sworn
statement and have made the necessary corrections, additions
or changes to my answers that I deem necessary.

Executed on this day of
1992.

.....

Joel D. Wallach

REPORTER'S CERTIFICATE

I, Renee K. Papierniak, a Certified Shorthand Reporter for the State of California, do hereby certify:

That the witness in the foregoing deposition was by me duly sworn; that the deposition was then taken before me at the time and place herein set forth; that the testimony and proceedings were reported stenographically by me and were transcribed through computerized transcription under my direction; that the foregoing is a true record of the testimony and proceedings taken at that time.

IN WITNESS WHEREOF, I have subscribed my name this
24th July
..... day of, 1992.

Renee K. Papierniak
.....
Renee K. Papierniak, CSR No. 7056