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1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2 In the Matter of:)

3) File No. LA-03028-A

4 CMKM DIAMONDS, INC.)

5 WITNESS: Donald John Stoecklein

ORIGINAL

6 PAGES: 1 through 287

7 PLACE: Securities and Exchange Commission

8 Pacific Region

9 5670 Wilshire Boulevard

10 Room 11A

11 Los Angeles, California 90036

12 DATE: Tuesday, January 24, 2006

13

14 The above-entitled matter came on for hearing at
15 10:04 a.m., pursuant to notice.

16

Securities Exchange Commission
Received

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JUN 09 2009

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TRANSCRIPT

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24 Diversified Reporting Services, Inc.

25

(202) 467-9200

TR 5

1 APPEARANCES:

2

3 On behalf of the Securities and Exchange Commission:

4 (b)(7)(C) _____, ESQ.

5 (b)(7)(C) _____, ESQ.

6 Securities and Exchange Commission

7 Office of Enforcement

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9 Eleventh Floor

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11 (b)(7)(C) _____
12 _____
13 _____

14 On behalf of the Witness:

15 DONALD J. STOECKLEIN, PRO SE

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18 San Diego, California 92101

19 (b)(7)(C) _____
20 _____
21 _____

22

23

24

25

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1 P R O C E E D I N G S

2 (b)(7)(C) On the record at 10:00 a.m. on
3 Tuesday, January 24, 2006.

4 Whereupon,

5 DONALD JOHN STOECKLEIN

6 was called as a witness and, having been first duly sworn,
7 was examined and testified as follows:

8 EXAMINATION

9 BY (b)(7)(C) :

10 Q Please state and spell your full name for the
11 record.

12 A Donald John Stoecklein, S-T-O-E-C-K-L-E-I-N.

13 Q I am (b)(7)(C) and this is (b)(7)(C). We
14 are officers of the Commission for purposes of this
15 proceeding.

16 This is an investigation by the United States
17 Securities and Exchange Commission in the matter of CMKM
18 Diamonds, LA-3028, to determine whether there have been
19 violations of certain provisions of the federal securities
20 laws. However, the facts developed in this investigation
21 might constitute violations of other federal or state civil
22 or criminal laws.

23 Prior to the opening of the record, you were
24 provided with a copy of the formal order of investigation in
25 this matter, as supplemented. It will be available for your

1 examination during the course of this proceeding.

2 (b)(7)(C), have you have an opportunity to
3 review the formal order?

4 A I have.

5 Q Prior to the opening of the record, you were
6 provided with a copy of the Commission's supplemental
7 information form, which has previously been marked as Exhibit
8 Number 1. (b)(7)(C), have you had the opportunity to
9 read Exhibit Number 1?

10 (SEC Exhibit No. 1 was referred to.)

11 A I have.

12 Q Do you have any questions concerning this notice?

13 A I do not.

14 Q You have the right to be accompanied, represented,
15 and advised by counsel today. This means that you may have
16 an attorney present, and that your attorney can advise you
17 before, during, and after your examination here today. Do
18 you understand this?

19 A I do.

20 Q Since you are not represented by counsel, there are
21 certain matters discussed in Exhibit Number 1 that I want to
22 highlight for you. Do you understand that, upon your
23 request, these proceedings will be adjourned so that you may
24 obtain counsel?

25 A I understand.

1 previously been supplied to you by the Commission's Staff?

2 A Yes, inclusive of the information we had previously
3 supplied under another subpoena to CMKM Diamonds.

4 Q That's correct. That's right. Thank you.

5 A In totality, that's what we have.

6 Q Please describe the search that was conducted for
7 the subpoenaed documents, and state who conducted that
8 search.

9 A Actually, my staff conducted the search, lined up
10 all the files, the file boxes. We went through them, and
11 pretty much all the new information, boxed it up, and sent it
12 here.

13 Q Did you --

14 A Copies of them, yes.

15 Q Did you review your e-mail?

16 A Yes.

17 Q Do you maintain any files at home?

18 A No.

19 Q Where do you maintain your files, physically?

20 A All of the files dealing with CMKM are in a Las
21 Vegas office under the name of Securities Law Institute.

22 Q Do you have any files related to CMKM Diamonds in
23 San Diego?

24 A No.

25 Q Mr. Stoecklein, have you withheld any documents

1 called for by the subpoena based on any claim of privilege?

2 A No.

3 Q Were any documents called for by the subpoena not
4 produced for any reason other than privilege and other than
5 the exceptions we previously stated this morning?

6 A Yes. There were bank statements that you called
7 for that were our company bank statements, for Stoecklein Law
8 Group, that you and I agreed, if they didn't have any
9 correlation or anything dealing with CMKM, just leave those
10 out, and then we sent bank statements that had redactions,
11 and I think you received another set.

12 Q That were unredacted, as we discussed?

13 A Yes.

14 Q Other than that, were any documents called for by
15 the subpoena not produced for any reason other than
16 privilege?

17 A No.

18 Q Do you know of any documents responsive to the
19 subpoena that were not provided because they were lost,
20 destroyed, or otherwise disposed of?

21 A No.

22 Q Before we turn to substance, I'd like to go through
23 some of the procedural guidelines for testimony today. As
24 you've noticed, a court reporter is tape recording this
25 conversation. The tape recording will later be transcribed.

1 In order to make a clear record, only one person should speak
2 at a time. I will try to let you finish answering a question
3 before asking you the next question, and if you can let me
4 finish asking a question, that would be helpful.

5 A Okay.

6 Q Also, please answer audibly. "Uh-huhs" and
7 "Huh-uhs" are difficult to transcribe.

8 A I understand.

9 Q And I will ask you sometimes to spell words that we
10 may both know the spelling of so that later they can be
11 transcribed correctly.

12 If you don't understand a question, please let me
13 know. If you answer, I'll assume that you understood it.

14 The Staff controls the record today. We will be
15 taking some breaks, but if you need to take a break for any
16 reason, to use the restroom or whatever, please let me know,
17 and I will instruct the court reporter to go off the record.

18 We'll be reviewing some documents today. They'll
19 be marked and a copy given to you. When we're through with
20 them, if you can give them back to (b)(7)(C), so that we can
21 keep them in order, that would be helpful. And please would
22 you make sure to your cell phone is off or on vibrate.

23 A It's off.

24 Q And is there any reason that you cannot give your
25 best testimony today?

1 A No.

2 Q When and where were you born?

3 A (b)(7)(C).

4 Q What country are you a citizen of?

5 A U.S.

6 Q Any others?

7 A No.

8 Q And what is your Social Security number?

9 A (b)(7)(C).

10 Q What is your address?

11 A Home address or office address?

12 Q Home first.

13 A (b)(7)(C).

14 Q How do you spell (b)(7)(C)?

15 A (b)(7)(C).

16 Q Do you have any other residential addresses?

17 A No.

18 Q Who else lives at that address?

19 A My wife, (b)(7)(C).

20 Q Do you have any children?

21 A Yes.

22 Q How old are they?

23 A (b)(7)(C).

24 Q And what's her name?

25 A (b)(7)(C).

1 Q Is her last name Stoecklein?

2 A No, it's DeMint.

3 Q And what is your wife's last name?

4 A Country-Stoecklein, maiden name Country, last name
5 Stoecklein.

6 Q What are your business addresses?

7 A I have an address in San Diego, 402 West Broadway,
8 Suite 400, San Diego, California 92101. I have an address,
9 770 East Warm Springs Road, Suite 250, Las Vegas, Nevada
10 89119, and I have an address in Newport Beach which, quite
11 frankly, I don't know the address to.

12 Q What do you use each of the addresses for?

13 A We have a practice that consists of dealing with
14 companies from different areas, and so we've established
15 offices in different areas.

16 Q How often do you use the San Diego office?

17 A Approximately once a month.

18 Q One day a month, you mean?

19 A Well, not one day. I mean, I might go down there,
20 do some things, and leave for a couple hours, go back the
21 next day. So, collectively, I'm down there, on the average,
22 average of once a month.

23 Q How often do you use the Newport Beach address?

24 A We just opened it up. So it's there on a permanent
25 basis, with one attorney in that office.

1 Q What is that attorney's name?

2 A (b)(7)(C).

3 Q Who is in the San Diego office?

4 A We don't have personnel, other than myself, that
5 use the San Diego office.

6 Q Who is in the Las Vegas office?

7 A I'm going to give you first names. We have (b)(7)(C),
8 we have (b)(7)(C), we have (b)(7)(C), and
9 myself.

10 Q Do you know any of their last names?

11 A Yes, (b)(7)(C)
12 used to be in that office. She's the one that's gone on to
13 the Newport Beach office. And then the others I don't have
14 last names for you.

15 Q What is your educational background since high
16 school?

17 A (b)(7)(C) or (b)(7)(C)?

18 Q First formal education, then any other education.

19 A Formal education is (b)(7)(C) and
20 (b)(7)(C) subsequent to that.

21 Q Where did you get your (b)(7)(C)?

22 A (b)(7)(C).

23 Q When?

24 A When? Approximately (b)(7)(C).

25 Q Where did you get your (b)(7)(C)?

1 A (b)(7)(C).

2 Q Where is that?

3 A (b)(7)(C).

4 Q And when did you get that?

5 A Well, '75, '76.

6 Q Do you have any other formal education?

7 A No.

8 Q Do you have any other educational background that
9 you should mention?

10 A Well, I attend a lot of SEC conferences, you know,
11 over the years. We go to, you know, two or three of those a
12 year.

13 Q Since please describe your work experience.

14 A Since 1990.

15 Q Approximately.

16 A Primarily involving consulting with small business.

17 Q Where have you worked since 1990?

18 A In 1990, that's when I moved into Las Vegas, and
19 I'm trying to think of the addresses there, but primarily Las
20 Vegas and Henderson area. There was an office in Henderson.
21 I don't recall the address.

22 Q What was the name of the law firm at which you
23 worked?

24 A At the time, we called it -- it was just really
25 myself, so I didn't have anybody else in the office with me.

1 And I served on the board of a couple small companies
2 concurrent with that.

3 Q Where they public companies?

4 A One of them was. Well, actually, both of them were
5 public. One was on the NASDAQ Small Cap, and one was --
6 well, I guess it was on the OTC Bulletin Board, as I recall.

7 Q What were the names of those companies?

8 A CEC Industries was the name of the NASDAQ company,
9 and Crowne, C-R-O-W-N-E, Ventures was the name of the OTC
10 Bulletin Board company.

11 Q Since 1990, have you always been self-employed?

12 A Primarily, yes. I did get a paycheck from those
13 companies, but I continued to maintain a law practice of a
14 sort.

15 Q Do you have any other experience with public
16 companies, serving as a director or officer?

17 A I think I've served on a company called (b)(7)(C)
18 (b)(7)(C), which our law office was handling affairs for them, and
19 I believe I went on the board of that company, and I may have
20 been almost an interim officer of that company for a short
21 period of time.

22 Q Any others?

23 A I don't think so.

24 Q Does your law practice have any particular
25 specialty?

1 A Yes. We tend to represent small companies.

2 Q In any particular area of law?

3 A Yes. Specifically, their reporting obligations
4 with the SEC.

5 Q Any other specialties?

6 A Well, I mean, we do registrations. We do some M
7 and A work. We do proxy statements. You know, so the full
8 range of activities with a small company that might be
9 reporting with the SEC.

10 BY (b)(7)(C):

11 Q Can you define what you mean by "small company,"
12 Mr. Stoecklein?

13 A Generally, a start-up company that might that may
14 or may not be reporting, and if it's reporting, there's a
15 good chance that it's listed on the OTC Bulletin Board, or
16 could be an AMEX company -- I don't think we've represented a
17 NASDAQ company since the mid-'90s -- and a company that's
18 considered a small business filer, SB filer.

19 BY (b)(7)(C):

20 Q What is the difference between Securities Law
21 Institute and Stoecklein Law Group?

22 A The Securities Law Institute was set up as an
23 entity that would do Edgar filings, create information flow
24 for our clients, and really act as an outsource group in Las
25 Vegas, Nevada, which is where I happen to live.

1 Q So what does Stoecklein Law Group do?

2 A Stoecklein Law Group handles any legal advice to
3 the clients that may be the same clients as the Securities
4 Law Institute is handling for the Stoecklein Law Group.

5 Q I'm sorry. I'm not trying to be difficult, but I
6 really don't understand the distinction between the two.

7 A Well, let's say an attorney wants to utilize the
8 services of a paralegal service, outside paralegal service,
9 as opposed to having it done internally. We set up the
10 Securities Law Institute to handle that kind of activity.
11 Initially we didn't have attorneys working within Securities
12 Law Institute.

13 Q Are there attorneys working at Securities Law
14 Institute now?

15 A There was. (b)(7)(C) was counsel in Nevada, and
16 now she shifted over to Newport Beach, California.

17 Q Why did she shift over?

18 A We wanted to be able to assist some of the small
19 companies we anticipated representing in the Southern
20 California area.

21 Q Does she have a California bar license?

22 A Not yet.

23 Q Has Securities Law Institute employed any other
24 attorneys?

25 A Not in terms of any full-time capacity. I mean,

1 off and on, we've hired counsel to assist us in different
2 jobs.

3 Q Does anyone other than you and (b)(7)(C) work for
4 Stoecklein Law Group?

5 A No.

6 Q Who owns Stoecklein Law Group?

7 A I do.

8 Q Who owns Securities Law Institute?

9 A Stoecklein Law Group.

10 Q Does anyone else have any ownership interest in
11 Securities Law Institute?

12 A No.

13 Q Who runs Securities Law Institute on a day-to-day
14 basis?

15 A I do.

16 Q Does anyone else have any formal titles at
17 Securities Law Institute?

18 A Yes.

19 Q Who?

20 A (b)(7)(C) has a title. I believe it's
21 director.

22 Q What is his function at Securities Law Institute?

23 A Well, his function may be assisting in drafting
24 legal documentation, 10Ks, Qs, M and A work, proxy
25 statements.

1 Q Is (b)(7)(C) an attorney?

2 A No.

3 Q Who reviews his work?

4 A I do.

5 Q Does anyone else have any titles at Securities Law
6 Institute?

7 A Yes. (b)(7)(C) is our MIS director.

8 Q What does that mean?

9 A Well, he manages our information services and all
10 our computer systems there, the server. (b)(7)(C) is also the
11 director of our Edgar filing.

12 Q What is (b)(7)(C) title?

13 A (b)(7)(C) works for an entity called Opus
14 Point, which is, since you'll ask me, also owned by --
15 actually, it's under Securities Law Institute.

16 Q And what is Opus Point?

17 A Opus Point serves as an accounting function for
18 small businesses, to enable them to compile financial
19 statements, so that auditors that are registered with the
20 PCAOB can audit the work.

21 Q Why is Opus Point set up as a separate company?

22 A I'm not sure. We just chose to do it that way,
23 because Opus Point may, in fact, represent companies that the
24 law group is not involved with.

25 Q Is anyone else employed by Opus Point, other than

1 (b)(7)(C) ?

2 A Yes, Ana, who has come to Opus Point within the
3 last four or five months, and I think (b)(7)(C) now has shifted
4 from what used to be her position in Securities Law
5 Institute. She's now doing work in Opus Point.

6 Q But you own the whole thing?

7 A Yes.

8 Q Do you have any professional licenses?

9 A Other than the law license?

10 Q Well --

11 A No, I don't think so. I might have an old one
12 hanging around from something, but not now, not that I
13 remember.

14 Q So you have a law license?

15 A Yes.

16 Q Where is your -- what state?

17 A California.

18 Q Have you ever been subject to disciplinary action?

19 A Not to my knowledge.

20 Q When were you admitted to the California bar?

21 A '76.

22 Q Have you been admitted to the Nevada bar?

23 A No.

24 Q Why not?

25 A It's not an area -- Nevada law isn't an area where

1 I practice.

2 Q How long have you lived in Nevada?

3 A Since '90.

4 Q Have any of the companies that you've represented
5 been incorporated in Nevada?

6 A Incorporated, yes.

7 Q Have any of the companies you've represented been
8 based in Nevada?

9 A Yes.

10 Q Have you ever considered that you might need a
11 Nevada law license to practice in Nevada?

12 A Yes. In fact, I did a significant review of that,
13 and where Nevada law is an integral part of what we do, we
14 have used counsel, outside counsel --

15 Q Who is that?

16 A -- and now we have since used (b)(7)(C), for the
17 last year and a half.

18 Q Have you ever provided investment advice to anyone?

19 A I'm sure I have.

20 Q Have you ever done so in a formal capacity, been
21 paid for investment advice?

22 A I don't know. I don't know how to separate
23 investment advice from legal services, quite frankly.

24 Q Can you elaborate on what you mean by that?

25 A Well, if you came to me and asked me to assist you

1 in, for example, doing due diligence on a company, as an
2 attorney, I would assume, to some degree, there's some
3 investment advice being generated in the production of that
4 advice.

5 Q How are you compensated for the work you do for
6 various companies?

7 A In some cases, hourly, and in most cases, on a
8 project-by-project basis.

9 Q Are you compensated in cash or by check?

10 A Mostly by check.

11 Q Had you ever been compensated by a company in that
12 company's stock?

13 A Absolutely.

14 Q Which companies?

15 A Many companies.

16 Q Have you ever been compensated by CMKM Diamonds in
17 company stock?

18 A No.

19 Q Have you ever been compensated in St. George Metals
20 stock?

21 A No.

22 Q Have you ever been compensated in U.S.-Canadian
23 Minerals stock?

24 A No.

25 Q Have you ever been compensated in stock by anyone

1 associated with CMKM Diamonds for any services?

2 A Pertaining to CMKM Diamonds, as compensation for
3 CMKM Diamonds? No.

4 Q As compensation for other work?

5 A Unrelated to CMKM Diamonds?

6 Q That's correct.

7 A Possibly.

8 Q Who?

9 A (b)(7)(C).

10 Q What stock has (b)(7)(C) given you?

11 A We've done some work for (b) over the last five or
12 six years, in little projects, and, quite frankly, I can't
13 recall, as we sit here, whether we received any stock in
14 those companies.

15 Q Other than that, can you think of anyone associated
16 with CMKM Diamonds who's ever paid you in stock?

17 A No.

18 Q Have you ever provided testimony before?

19 A Yes.

20 Q When?

21 A I've been practicing for almost 30-some years.
22 Several times.

23 Q Have you ever provided testimony yourself, as
24 opposed to serving as counsel for someone else who's
25 providing testimony?

1 A Yes.

2 Q When?

3 A I've been involved in lawsuits over the last 30
4 years, some dealing with real estate, some dealing with
5 companies I've represented, where I've provided testimony.

6 Q Did any of those cases involve for state securities
7 laws?

8 A I recall a case that went back into the -- I'm
9 trying to think if it was the late '70s or early '80s -- that
10 may have.

11 Q Have you ever testified before the Securities and
12 Exchange Commission?

13 A No.

14 Q Have you ever been a defendant or respondent,
15 personally, in any case involving the Securities and Exchange
16 Commission?

17 A As a defendant?

18 Q Or as a respondent.

19 A As a respondent, yes.

20 Q What case?

21 A I think it was called the Softpoint case, as the
22 SEC outlined it.

23 Q What was that case about?

24 A That case was about a company up in Reno, Nevada,
25 that allegedly had issued some Reg-S stock and some S8 stock,

1 and the SEC alleged that they had, I guess, accounted for
2 revenue inappropriately.

3 Q What was your involvement in that case?

4 A I was counsel to the company, not general counsel,
5 but I was counsel to the company in some collection activity
6 that pertained to stock certificates.

7 Q What does that mean?

8 A Well, it's kind of complicated, frankly, and it's a
9 long story, but apparently the company issued stock to some
10 offshore entities to obtain exclusive license agreements with
11 those offshore companies, and that was in the days when Reg-S
12 was 41 days, and when the stock came back on shore, it was
13 unrestricted stock, and so, apparently, they had issued that
14 stock offshore to these companies. In a couple cases, the
15 companies had defaulted on the agreements with the company.
16 The company obtained the certificates back and liquidated
17 those certificates to pay off the obligations.

18 Q And how were you involved?

19 A I acted as an escrow agent, to make sure that, when
20 the stock was liquidated, the company received compensation.

21 Q How was that matter with the Securities and
22 Exchange Commission resolved?

23 A Well, the SEC was not too kind about how they felt
24 about the revenue recognition, so they went after the
25 accountant, and, as I recall, they filed an action against

1 the officers and directors in the company, and they didn't
2 like the way that I personally handled the escrow of the
3 stock to liquidate to pay back the debt to the company, and
4 they filed an administrative action in that, and I think it
5 was Judge Murray for the judge in the CMKM case that handled
6 that, and so there was a mutual consent order that was
7 entered into in that.

8 Q And what were the terms of that settlement?

9 A I don't recall. I mean, that's 10 years ago, over
10 10 years ago.

11 Q Was any fine imposed on you in connection with the?

12 A I don't think so.

13 Q Were any limitations on your activities imposed in
14 connection with that?

15 A I don't recall. If you're referring to an O and D
16 bar or something like that, no.

17 Q Other than that, have you ever been a defendant or
18 respondent in any case involving the securities laws?

19 A I may have. I mean, usually, when plaintiffs'
20 counsel allege something against a company -- and if I were
21 sued, I would be -- probably they would be making some
22 allegations of some securities actions against officers and
23 directors in there, and maybe I was named in that. I don't
24 recall.

25 Q Have you ever been found liable in any action

1 involving state or federal securities laws?

2 A No.

3 Q Have you ever been convicted of any crime, except
4 for a minor traffic violation?

5 A No.

6 BY (b)(7)(C):

7 Q Just going back for a second, have you testified as
8 a witness in the past year, other than today?

9 A I don't think so.

10 Q If something comes to you during the course of
11 today's --

12 A Yes, I --

13 Q -- please share it with us.

14 A I can't remember the last time I did give any
15 testimony in anything.

16 BY (b)(7)(C):

17 Q You mentioned someone named (b)(7)(C) earlier,
18 and I noticed that your (b)(7)(C) (b)(7)(C). Is
19 there a relation there?

20 A (b)(7)(C)
21 Q
22 A
23 Q
24 A
25 Q

1

A

(b)(7)(C)

2

Q

3

A

4

(b)(7)(C)

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Q

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(b)(7)(C)

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A

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Q

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(b)(7)(C)

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A

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Q

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A

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Q

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A

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25

Mr. Stoecklein, I'm showing you a copy of what has been marked as Government's Exhibit 55. Exhibit 55 is a one-page document, a letter dated January 20th, 2006, from a (b)(7)(C) to you. Do you recognize exhibit 55?

(SEC Exhibit No. 55 was marked for identification.)

Yes, I do.

Is this a copy of the letter you received from

(b)(7)(C) ?

It is.

And is this an accurate copy of the letter you received?

It appears to be.

What is this letter?

Well, some time ago, couple months ago, I was advised that -- and I think it was as a result of the depositions and subpoenas that you had issued in November -- I contacted (b)(7)(C) to let him know that the depositions and subpoenas had been issued, and I was informed that he had counsel in place that was going to represent the company.

1 Q By "the company," what are you referring to?

2 A CMKM Diamonds. I wasn't sure at the time who that
3 was going to be. I think you and I even had discussion where
4 you knew before I did where you knew before I did that
5 they had counsel in Washington, an (b)(7)(C) and I
6 ended up, subsequent to that, talking to (b)(7)(C) and asking
7 what her involvement was going to be.

8 The end result was I thought I was going to hear
9 from somebody, and that they were -- that the company may
10 want counsel during my deposition, as, clearly, my office and
11 myself were involved in handling matters for CMKM Diamonds,
12 and that, should we have any privileged information, they
13 needed to make sure that they had counsel prepared to look
14 through that information and determine if there was a
15 privilege to assert.

16 Well, when I was down at the SEC conference in San
17 Diego, I made a call to (b)(7)(C), after sitting in front of
18 (b)(7)(C) --

19 Q This is last week?

20 A -- last week -- talking about privilege, and I had
21 thought about it, and it reminded me that I hadn't heard from
22 anybody on whether they were going to appear at this
23 deposition.

24 So I called (b)(7)(C), and I said, "You know, I'm
25 going to be deposed on Monday or Tuesday next week, and I

1 won't get back until Sunday night, and I'll be driving back
2 out Sunday night to L.A. So you're not going to get an
3 opportunity again, other than this call, to confirm that you
4 have somebody there, or you have the company waive the
5 privilege. Take your pick," because I wasn't, frankly, sure
6 what I was going to do when I got here if they hadn't waived
7 that privilege. And in the spirit of cooperation, the
8 company and I suggested that it would be a good idea for them
9 to waive the privilege. So that's what this letter
10 represents.

11 Q Who is (b)(7)(C) ?

12 A I believe he represents -- my understanding is he
13 represents CMKM Diamonds.

14 Q Have you ever spoken with (b)(7)(C) ?

15 A I have not.

16 Q And what is the basis for your understanding that
17 he represents CMKM Diamonds?

18 A (b)(7)(C) had informed me of that, and (b)(7)(C)
19 (b)(7)(C) had informed me at that.

20 Q And just so the record is clear, what is (b)(7)(C)
21 (b)(7)(C) capacity?

22 A I'm not exactly sure, to be honest with you.

23 Q And so that the record is clear, what is (b)(7)(C)
24 (b)(7)(C) capacity in connection with CMKM Diamonds?

25 A I believe (b)(7)(C) is the sole officer and

1 director of the company.

2 Q Is it your understanding that he has the authority
3 to inform you who is representing CMKM Diamonds?

4 A Yes.

5 Q When did you receive Exhibit 55?

6 A It was e-mailed to me, and I believe it's the --
7 the e-mail was dated the same date as this letter.

8 Q Just so that the record is clear, please, would you
9 read the second paragraph of Exhibit 55.

10 A It says: "Additionally, I have also been advised
11 that CMKM is waiving the attorney-client privilege with
12 respect to communication between yourself and the company."

13 Q What is your understanding of those instructions?

14 A Well, to me it means, if there are items that would
15 have fallen under the attorney-client privilege, then I'm
16 free to disclose those items to you today.

17 Q After receiving the letter that is Exhibit 55, did
18 you have any questions about these instructions?

19 A No.

20 Q Do you know why CMKM Diamonds waived its privilege?

21 A Well, I think I indicated a moment ago, in the
22 spirit of cooperating with the Commission in this
23 investigation. Quite frankly, they don't feel there's
24 anything that the company has to prevent the SEC from knowing
25 about that would be privileged.

1 BY MR. SPRUNG:

2 Q Did you have any conversations with anyone about
3 Exhibit 55 after receiving it?

4 A Yes, I did. I had a discussion with Elizabeth
5 Baird -- excuse me. Was that before? I don't think I have.
6 I'm not sure that I talked to Elizabeth after I received this
7 document.

8 Q Other than Elizabeth, do you recall talking with
9 anyone else --

10 A No.

11 Q -- after receiving exhibit 55?

12 A No.

13 Q Exhibit 55 bears a date of --

14 A By the way, other than maybe one of my staff
15 members who received the fax, came into the office, had it
16 scanned, e-mailed it to me down in San Diego -- and normally
17 it would have come across Anthony DeMint's computer, since I
18 don't sit there in a conference with my computer on. He
19 does, checking e-mail. So it may have come in through that
20 system.

21 Q That was where my next question was going, as this
22 is dated January 20th, which was Friday, I believe.

23 A I think that was Friday. It was Friday afternoon
24 we received it, matter of fact, I think. It says 4:45. Is
25 that Friday or Thursday?

1 Q I think today we're at the --

2 A I don't think it was Friday. Well, 16:45 is what,
3 4:45?

4 Q I think the --

5 (b)(7)(C): I believe that's correct.

6 BY (b)(7)(C):

7 Q The 20th is Friday, right? And so I'm just trying
8 to get a sense of how you remember receiving this. Did it
9 come up -- while you at the conference, you received Exhibit
10 55?

11 A It came -- well, except the day on this one -- if I
12 was at the conference, I would have already left at about
13 2:30. I received this while I was sitting in the conference,
14 as I recall.

15 Q So the fax banner bears a time of 4:45, but --

16 A That may be the U-Haul.

17 Q -- but by that point, you said you had left the
18 conference, and yet you have a recollection the of receiving
19 Exhibit 55 while in attendance at the conference?

20 A Yes.

21 Q Okay.

22 A That's my recollection.

23 Q And after receiving it, just so the record is
24 clear, did you have any conversations with anyone about
25 Exhibit 55?

1 A I don't think so.

2 BY (b)(7)(C):

3 Q I note that the first paragraph of Exhibit 55
4 indicates that you're providing testimony to the Securities
5 and Exchange Commission on Monday, January 25th, 2006. I
6 think that you're providing testimony on Tuesday, January
7 24th, 2006. Is that correct?

8 A What is today? I don't know what today is.

9 BY (b)(7)(C):

10 Q Today is January 24th.

11 A 24th? Okay. Then that would be correct.

12 BY (b)(7)(C):

13 Q Is it your understanding that the mistakes in the
14 day and date of your testimony are merely typographic errors?

15 A I have no idea. I didn't write the letter.

16 Q Does the discrepancy in the date, in your view,
17 change any of the instructions regarding the waiver of the
18 attorney-client privilege?

19 A No.

20 Q I think we're through with Exhibit 55, then.

21 A Okay.

22 Q Mr. Stoecklein, when did you first hear of CMKM
23 Diamonds?

24 A A little less than a year ago.

25 Q What were the circumstances?

1 A I received a call from (b)(7)(C), and he mentioned
2 the company to me.

3 Q How did (b)(7)(C) first hear of CMKM Diamonds?

4 A I don't know.

5 Q What did (b)(7)(C) say about CMKM Diamonds?

6 A Well, I can't recall the specifics of the
7 conversation, other than it was something to the effect he
8 was considering going on the board of the company.

9 Q How did you know (b)(7)(C)?

10 A I've known (b)(7)(C) for approximately 13, 14 years, and
11 I've done work with him off and on through those years.

12 Q Did (b)(7)(C) say why he was considering going on
13 the board of CMKM Diamonds?

14 A No.

15 Q Have you ever subsequently learned how (b)(7)(C)
16 first became involved with CMKM Diamonds?

17 A Not other than (b)(7)(C) asking him to join
18 the board.

19 Q How did (b)(7)(C) meet (b)(7)(C)?

20 A I'm not sure. I'm not exactly -- I'm not going to
21 speculate. So I don't really know.

22 Q I understand that it's a speculation, but what's
23 your best understanding of how (b)(7)(C) met (b)(7)(C)?

24 A There was some introduction through one of Bob's
25 relatives, somehow.

1 Q What did (b)(7)(C) say about CMKM Diamonds when he
2 first called you about it?

3 A What did he say about them? I don't know. I don't
4 recall what he said. It wasn't important.

5 Q What was the substance of your conversation with
6 him?

7 A That he was considering going on the board of the
8 company.

9 Q Why did he call you to tell you that?

10 A Well, because normally he would ask me to take a
11 look at something, pull up any filings we could find on the
12 company, and get them to him.

13 Q When did he call you about that?

14 A It would have been sometime around the end of the
15 first or beginning of the second week in February of '05.

16 Q I note that you had mentioned before you've known
17 (b)(7)(C) for a number of years, and that (b)(7)(C) was
18 involved with CMKM Diamonds. Is that correct?

19 A That's correct.

20 Q Was that just a coincidence, that another of your
21 clients contacted you about the same company?

22 A Yes.

23 Q Had you ever spoken with (b)(7)(C) about CMKM
24 Diamonds before (b)(7)(C) contacted you?

25 A Frankly, I had never heard about CMKM Diamonds

1 before that call from (b)(7)(C).

2 Q How long did that call last?

3 A Probably five to ten minutes.

4 Q What did you do in response to that call?

5 A We probably went to either JSI online or Edgar
6 filings, and pulled up some filings on the company, and
7 arranged a meeting with (b)(7) to go over it.

8 A You said you "probably" did that?

9 A Probably did that. I vaguely remember a meeting,
10 though, going over some of these filings with (b)(7).

11 Q Was that your first meeting with anyone about CMKM
12 Diamonds?

13 A I believe so, yes.

14 Q When was that meeting?

15 A Again, I think that was -- it would have been a day
16 or two after the phone call from (b)(7).

17 Q Who else attended that meeting?

18 A Possibly (b)(7)(C). I don't really recall the
19 meeting itself, whether it was in our office or at a
20 restaurant.

21 Q Did anyone from CMKM Diamonds attend that meeting?

22 A No.

23 Q What was discussed at that meeting?

24 A Well, I think we shared some concern with (b)(7) over,
25 you know, what the company was doing. Certainly it was late

1 in its filings, and we knew it had an SEC enforcement action
2 pending. You know, what was his point of getting involved
3 with it?

4 Q You said you had some concerns. What concerns did
5 you have?

6 A Well, they were late, significantly late, in
7 reporting, if they intended to be reporting at all, whether
8 they were going to go back, whether they wanted to file a new
9 10SB, which was, quite frankly, what we were looking at doing
10 initially, you know, for them, as a subsequent meeting. So,
11 I mean, that's the analysis we did.

12 Q Why did you think they were late in filing?

13 A Well, at some point in time, we noticed they had
14 filed a Form 15, so obviously they hadn't filed any
15 reports with the Commission after that Form 15 was filed.

16 Q Why did you think that meant they were late in
17 filing?

18 A Well when I say "late," I mean, I shouldn't have
19 used that term. Let me correct it. Not late, but they
20 hadn't filed these reports.

21 Q Did you have any other concerns about the company
22 that you communicated to (b)(7)(C) ?

23 A I may have, but there were a lot of issues with the
24 company. Without having current reports, we couldn't really
25 tell what its financial status was. It was a mining

1 operation in Canada. It was in a mining operation in
2 Ecuador. So it was going to be very difficult for us to do
3 any significant due diligence without spending some money.

4 Q How did you know that the SEC had expressed
5 interest in the company?

6 A I'm not exactly sure how we became aware of that or
7 the exact timing of that, but at some time in the first
8 couple of days, we knew that was the case.

9 Q Is there anything in your records that could help
10 you figure out how you became aware of that?

11 A I doubt it. If there is, you would have it.

12 Q What did (b)(7)(C) say after he heard your
13 concerns?

14 A Well, (b)(7)(C) isn't one to run from a challenge, and he
15 organized a meeting with (b)(7)(C) in our office almost
16 immediately.

17 Q Who else attended that second meeting?

18 A I believe a fellow by the name of (b)(7)(C)
19 was in that meeting. I believe (b)(7)(C) assistant was in
20 that meeting, and I believe (b)(7)(C) from my office was
21 in that meeting.

22 Q Anyone else?

23 A I don't think so.

24 Q What was (b)(7)(C) assistant's name?

25 A (b)(7)(C) something or other.

1 BY (b)(7)(C):

2 Q Can you venture a spelling of that?

3 A (b)(7)(C), I think. I'm not sure.

4 A BY (b)(7)(C):

5 Q When was that meeting?

6 A I'm thinking it was -- I'm going to speculate that
7 it was -- well, let me not speculate. It was between
8 February 10th and -- I'm sorry -- February 7 and February 9.

9 Q How do you know that it was between those dates?

10 A Well, as I recall, we engaged as counsel for CMKM
11 on or about the 9th of February, and it would have been two
12 days or one day after (b)(7)(C) had initially called me.

13 Q How did it come about that you became counsel for
14 the company?

15 A Well, when I sat down and indicated to the company
16 a lot of issues they had, and they asked if we had the
17 ability to bring them up in reporting so that -- and of
18 course we asked why, and, contrary to popular belief, their
19 reasoning was to go back on the OTC Bulletin Board.

20 Q Is that what (b)(7)(C) told you?

21 A That's what we understood from (b)(7)(C), yes.
22 And we indicated yes. That's something we can do, and we do
23 a lot of 10SBs and SP2s and reporting for companies, so we
24 would be capable of doing that, assuming the information was
25 available to do that.

1 Q What did the company communicate to you about the
2 availability of information?

3 A At that point, we understood they would be very
4 cooperative, they had boxes of information, and we would get
5 the information, and we would sort through it, and we asked
6 about the mining operations. We would be introduced to the
7 fellow that was doing the drilling in Canada. And, I mean,
8 there was some due diligence we felt we needed to do to get
9 into the project, and that they were going to be very
10 cooperative.

11 Q What other issues did you identify to the company
12 during this meeting? You said you identified a number of
13 issues.

14 A Well, we had concerns over how we were going to,
15 frankly, evaluate whether the mining activity was bona fide,
16 and what they were doing with the mines up in Canada, and
17 also Ecuador.

18 Q Who did you communicate those concerns to?

19 A Well, it was communicated openly in that meeting,
20 with (b)(7)(C) there. Did I say (b)(7)(C) was there? (b)(7) was in
21 that meeting, also.

22 Q How did the company respond to those concerns?

23 A That they would provide us access to all the
24 information that we needed. And it may at that point, by the
25 way, that we became aware of the SEC investigation.

1 Q What did (b)(7)(C) tell you about the status
2 of the mining operations?

3 A That he had a large number of hectares of claims in
4 Canada, and that they were either drilling or planned on
5 drilling for kimberlite material, and then he explained
6 kimberlite to me, and that process -- I'm not a miner, so I
7 didn't have a great degree of information on what that's all
8 about, from a mining standpoint -- and that we needed to
9 figure out a way to determine what claims were still active.

10 So we went through that process with them, and then
11 discussed the Ecuadorian mines, and in each case, who we
12 should contact to confirm what he was saying and get
13 additional information. And we had indicated we were going
14 to need every one of the mining claims up in Canada.

15 Q Who did he say you should contact in Canada?

16 A (b)(7)(C) in Canada.

17 Q How do you spell (b)(7)(C)?

18 A (b)(7)(C), I think it is.

19 Q Who did he say you should contact in Ecuador?

20 A UCAD.

21 Q So the record is clear, what does UCAD stand for?

22 A United Canadian something. I don't know. I just
23 know it as UCAD.

24 Q U.S.-Canadian Minerals?

25 A U.S.-Canadian Minerals. That sounds good.

1 Q Is that the best of your recollection?

2 A Yes, is. And also Nevada minerals.

3 Q Why did CMKM Diamonds tell you to contact U.S.-
4 Canadian minerals?

5 A I understood they were somehow a venture partner
6 involved in the mining operation in Ecuador.

7 Q Did CMKM Diamonds tell you that U.S.-Canadian
8 Minerals had any involvement with its Canadian diamond
9 claims?

10 A I don't recall.

11 Q Did the name St. George Metals come up at all
12 during the first conversation with (b)(7)(C)?

13 A No. I think St. George came up as a result of
14 documents that we received, and some press releases that we
15 had gone through.

16 Q What did (b)(7)(C) tell you about share
17 issuances during that first meeting?

18 A Nothing that I can recall.

19 Q What else did (b)(7)(C) say during that
20 meeting?

21 A Other than discussing -- I think we did discuss the
22 SEC enforcement action against UCAD, and an outstanding
23 subpoena that was from November of the prior year, I think
24 2004, was outstanding, and that, as I understood it, they had
25 not complied with the subpoena, that their counsel hadn't

1 turned over the documents under that subpoena.

2 Q What did (b)(7)(C) say about the SEC
3 investigation?

4 A I don't recall we had a large discussion on it, so
5 I don't recall what he said.

6 Q You don't recall anything about that discussion?

7 A No. I think I received a copy of your -- it was a
8 UCAD investigation, and I believe I received a copy of it, or
9 a copy of the subpoena.

10 Q Did anyone communicate to you why the company had
11 not produced documents thus far?

12 A No, no.

13 Q Did you ask?

14 A Well, all I knew was (b)(7)(C) had turned it over to
15 counsel to do.

16 Q What counsel?

17 A I think that was Angels and Edwards, and then there
18 was also (b)(7)(C). Primarily those two firms
19 were involved.

20 Q Did (b)(7)(C) tell you anything else about any
21 other subject during that meeting?

22 A Not that I can recall.

23 Q Who is (b)(7)(C)?

24 A (b)(7)(C) was a business associate of (b)(7)(C).

25 Q What business were they involved in?

1 A I don't know. I believe they had some mutual
2 investments together.

3 Q In what?

4 A I'm not sure.

5 Q Why did (b)(7)(C) attend that meeting?

6 A (b)(7)(C) was looking at coming on the
7 board. (b)(7)(C) had asked him to join the board of CMKM.

8 Q Why?

9 A I don't know. He felt he needed another board
10 member, other than himself as the sole officer and director.

11 Q Did (b)(7)(C) ever become a director?

12 A No, he did not.

13 Q Why not?

14 A (b)(7)(C) wanted to. There was a condition by
15 (b)(7)(C) that they have O and D insurance, and so he decided,
16 when they didn't obtain that insurance, that he wouldn't join
17 the board.

18 Q To the best of your knowledge, has (b)(7)(C)
19 ever played any unofficial role at CMKM Diamonds?

20 A Unofficial? Yes, I believe he's probably played
21 some unofficial roles, as rendering some assistance to Urban
22 in different things, maybe given him a little advice on
23 matters.

24 Q What kind of assistance?

25 A I don't know, because I'm not there at the time,

1 but I saw them hanging around, and (b)(7)(C) showed up in a
2 couple of the discussions.

3 Q Why did (b)(7)(C) assistant attend that
4 meeting?

5 A Because she was with him.

6 Q Why did (b)(7)(C) attend that meeting?

7 A Because (b)(7)(C) may end up doing follow-up work for
8 any client that I happen to meet with. So he would have
9 provided me assistance.

10 Q How long did that meeting last?

11 A About an hour, I think.

12 Q What was the outcome of that meeting?

13 A The outcome of the meeting is (b)(7)(C) asked
14 if we would assist him in developing reports for the SEC, and
15 placing him in a reporting status with the SEC, and also
16 resubmitting his 211 package, Form 211 package, through a
17 market maker, to NASD.

18 Q Anything else?

19 A Yes. We were asked to respond to your subpoena.

20 Q Did (b)(7)(C) decide to join the board of CMKM
21 Diamonds?

22 A I believe that was when he decided to join.

23 Q How much was he paid for being on the board?

24 A Well, how much he was contracted for or how he much
25 was paid? Ultimately, I think he received -- I'm not sure --

1 (b)(7)(C)

2 Q How much was he contracted to receive?

3 A I think (b)(7)(C) a month.

4 Q Were any formal documents drawn up appointing him
5 to the board?

6 A I'm not sure.

7 Q Have you ever seen any?

8 A I don't recall seeing -- you're referring to an
9 employment agreement or a board resolution?

10 Q Either.

11 A I don't recall right now.

12 Q Do you remember drafting any such document?

13 A I was thinking there was a board resolution dealing
14 with his appointment, but certainly not an employment
15 agreement.

16 Q Why "certainly not"?

17 A I think they wanted to leave it flexible, and that
18 would allow some flexibility in the agreement.

19 Q Why did they want flexibility?

20 A Well, the company didn't have any cash at the time,
21 and so where that money was going to come from to pay
22 (b)(7)(C) was under a question, so whether, ultimately, money
23 was going to be advanced by (b)(7)(C) or advanced to the company
24 or however. So a decision was made not to draft the
25 employment agreement.

1 Q How did you know that the company didn't have any
2 money at the time?

3 A (b)(7)(C) told us the company didn't have any banking
4 account.

5 Q He said there was no bank account at all?

6 A At that time, I don't think there was a bank
7 account for the company.

8 Q Did that seem odd to you?

9 A It all seems odd.

10 Q Did you ask him why there was no bank account?

11 A We did get into a discussion. I'm not sure it
12 happened in that first meeting or a subsequent meeting, but
13 there was an issue over a bank in Las Vegas that shot his
14 bank account down.

15 Q Did he ever say -- did he explain why they shut his
16 bank account down?

17 A Yes, and it seemed pretty odd to me, and almost
18 comical. I don't know if you're familiar with banking, but
19 if you're a client manager at a bank, you're told, "Go out
20 and get as many bank accounts as you can." And so, when
21 (b)(7)(C) was doing banking with -- I think it was Silverado Bank
22 in Las Vegas, or Silver State Bank, and I can't recall right
23 now -- (b)(7)(C) knew a lot of people. So he helped them get a
24 lot of clients.

25 When (b)(7)(C) moved money back and forth in his

1 account, as I recall, there were some problems with the
2 reporting of items over \$10,000 that did not happen, and so
3 the gal that didn't file those reports, the bank investigated
4 it, and it created -- there was quite a stir over it, and so
5 the bank ended up terminating any account that was referred
6 through (b)(7)(C) or had any relationship, and I've seen
7 that happen before in banks.

8 So they shut down a hundred bank accounts, and the
9 word was (b)(7)(C) had a hundred bank accounts that were shut
10 down at the bank, which was, you know, kind of silly, but
11 that's what happened.

12 Q What was the name of the bank employee?

13 A I don't know.

14 Q Well, you said that there was "quite a stir." What
15 do you mean by that?

16 A Well, the fact that they shut down the accounts. I
17 think there was even a criminal proceeding over it.

18 Q What's your basis for thinking that?

19 A I think (b)(7)(C) told me.

20 Q What did he tell you?

21 A That there was a criminal proceeding, looking into
22 that banking matter.

23 Q Did he say that he was involved in that criminal
24 proceeding?

25 A No, he didn't say he was involved, but I think he

1 said that he was asked to provide some information.

2 Q Did he provide information?

3 A I have no idea. It's not something I dealt with
4 him on, because I didn't do personal stuff for (b)(7)(C).

5 Q Did CMKM Diamonds ever indicate it had any other
6 bank accounts?

7 A It had other bank accounts, sure.

8 Q I understood you to say a minute ago that (b)(7)(C)

9 (b)(7)(C) told you it had no bank accounts.

10 A At the time that we had met with him, he said it
11 did not have bank accounts.

12 Q Did you learn later learn that was false?

13 A No. I later learned that that was true at the time
14 that he said the statement. It's not that they've never had
15 any bank accounts.

16 Q What other bank accounts did they have?

17 A I believe they had a B of A account. We received
18 banking information that was being used to attempt to
19 generate financial statements.

20 Q Did it seem odd to you that CMKM Diamonds had no --
21 you said it had no cash. What happened to the cash that was
22 in the account when the account was closed?

23 A I'm not sure.

24 Q Did it seem odd to you that CMKM Diamonds said it
25 had no liquid assets?

1 A No, not really.

2 Q Why not?

3 A Well, you have to remember we represent a lot of
4 start-ups and small companies, and most of these companies
5 don't have a lot of cash, and when they do, they tend to
6 spend it pretty quickly, and in this case, it was a pretty
7 expensive mining operation. They had a drilling operation up
8 in Canada. So they were paying out money.

9 Q was supposed to receive a month.
10 Is that correct?

11 A That's correct.

12 Q Did that seem like a high fee for being a director?

13 A Its an abnormally high fee for a company at the
14 status of CMKM, yes.

15 Q Why was that fee set?

16 A I don't know. That was something negotiated
17 between and .

18 Q Have you ever had any discussions with
19 as to why that fee was set at that rate?

20 A Well, I think, considering the risk of going on the
21 board of a company that didn't have any bank accounts, that
22 was doing mining operations in Canada and Ecuador, had an SEC
23 investigation, frankly, I'm not sure he asked for enough.

24 Q How much was to be paid for being on
25 the board?

1 A I don't know.

2 Q What else happened during that first meeting?

3 A I'm not suggesting that all of that happened in
4 that first meeting. There were a couple of meetings that
5 happened, like, one day right behind another. So I believe
6 I've covered, generally speaking, everything that would have
7 happened in that first meeting.

8 Q What happened next?

9 A We started waiting for documentation. I contacted
10 you, indicated that we were requested to comply, on behalf of
11 the company, with your subpoena, and that the company was
12 going to start bringing over information for us. We were
13 told to go ahead and contact -- we requested whether we could
14 contact Angels and Edwards and Hughes, Hubbard and Reed,
15 (b)(7)
(C) -- I can't remember all these names, but from Hughes,
16 Hubbard and Reed -- and get whatever files they had, and
17 whatever retainer they all had left from being paid by (b)(7)(C)
18 Casavant.

19 Q And what happened?

20 A We received a box of information from Angels and
21 Edwards. Strangely enough, we received a letter from -- I'm
22 sorry. Did I say Angels and Edwards? I think the box came
23 from Hughes, Hubbard and Reed. Angels and Edwards, I
24 believe, send us a letter indicating they had no information
25 to provide us.

1 Q Did you follow up on that letter?

2 A Yes we did he, and they said, "We don't have
3 anything. Whatever we had we sent to the SEC."

4 Q Who did you talk to?

5 A There was one attorney in particular that was
6 heavily involved with this, and I don't have his name. Maybe
7 you can refresh my memory, but I don't have his name at the
8 tip of my tongue.

9 Q (b)(7)(C)?

10 A (b)(7)(C), yes.

11 Q What was (b)(7)(C) supposed to do for CMKM
12 Diamonds?

13 A As I understood, at least initially, he was going
14 to assist them with the same project we had taken on. What
15 he ended up doing for CMKM I'm not sure. I know he made
16 trips to Ecuador, he made trips to Canada, but I'm not sure
17 what was accomplished in all of that.

18 Q Did you ever ask (b)(7)(C) why (b)(7)(C)
19 made those trips?

20 A The only thing I was told was he was going to -- he
21 wanted to look at the mining operations.

22 Q Anything else?

23 A No.

24 Q Please help yourself to some more water. What
25 happened next?

1 A Well, we ended up getting materials, and I think we
2 packaged up one box of documents that we sent off to you,
3 after trying to determine what was already sent to you from
4 Hughes, Hubbard and Reed, because they indicated that they
5 had also forwarded documents on to you. So we basically
6 handled that aspect of it.

7 We started sorting the documents, which consisted
8 of everything from a large number of opinion letters, some
9 banking information, a lot of material pertaining to the
10 mining claims. We requested a discussion with (b)(7)(C)
11 and a discussion with the CEO of UCAD, also the CEO of Nevada
12 Minerals, just to try to get an understanding of what CMKM
13 actually had and what they were doing, and trying to
14 formulate a process to generate reports and financial
15 statements.

16 Q Did you ever speak with (b)(7)(C)?

17 A Yes. I spoke with him on at least two occasions
18 personally in our office, and I think I talked to him once on
19 the telephone from Canada.

20 Q When did you meet with him?

21 A Well, the best I can do is twice last year.

22 Q Before or after the administrative hearing?

23 A I think once before and once after.

24 Q What he did tell you during those meetings?

25 A He confirmed that they held the mining claims.

1 Q Who is "they"?

2 A Well, the claims were held through five different
3 entities, and he went through the explanation of that
4 process, and why it was done that way, and so the "they"
5 being (b)(7)(C) companies and then, through contract
6 with CMKM, CMKM.

7 Q Why was it set up that way?

8 A My understanding was that they have a very odd way
9 of obtaining claims in Canada, and if you want to go claim a
10 stake on a hectare of property or multiple hectares of
11 property, you physically have to send somebody to the
12 Canadian mining operations who provides those claims. You
13 have to physically have them sit there, 24 hours a day, until
14 those claims come up for renewal, and the first person in
15 line gets his choice of which claims he's going to claim.

16 When they set up these entities, they did not want
17 to bring too much notice to which claims they were going
18 after, because of the De Beers operation in the area. De
19 Beers had quite a mining operation up there, and they were
20 staking claims, approximately a million acres of property,
21 around De Beers.

22 So they put it in the five entities, and then CMKM
23 had a contract with (b)(7)(C) for those claims. So we
24 were trying to figure out, you know, those claims -- some
25 claims would expire -- so which claims were active, which

1 claims had already expired, and we then went on the Canadian
2 web site. (b)(7)(C) in my office more or less handled that
3 aspect of it, going on the web site, calling Canada mining
4 authorities, and determining which claims were active, which
5 ones were not.

6 Q What did (b)(7)(C) tell you about the drilling
7 activity in Canada?

8 A That they had selected sites and were actually
9 physically drilling.

10 Q What did (b)(7)(C) tell you about the value of
11 the claims in Canada?

12 A I'm not sure we got into a discussion with him on
13 valuation.

14 Q Have they found any diamonds?

15 A Initially, no. I think they -- as I recall, they
16 drilled 15 holes, and, you know, you kind of have to
17 understand these holes are not perk holes in the ground.
18 They're drilling, you know, maybe 800,000 feet down, 325
19 bucks a foot. So it's pricey stuff, and the geologist tells
20 them where to drill, and they drill.

21 I understand they drilled 15 holes that had some
22 kimberlite material showing, which means, to me at least, the
23 way I understand it, and I'm pretty naive about the process,
24 that if you pull the kimberlite material, then you have a
25 high chance of obtaining diamond material. But it was, I

1 understand, a 16th hole they drilled. They actually have
2 discovered some actual physical diamond material in that
3 hole.

4 Q When was that 16th hole drilled?

5 A Well, they'd been working on it for a little while,
6 but I think it was subsequent to the transaction with
7 Entourage.

8 Q So --

9 A Recently.

10 Q What is Emerson Koch's relationship with Urban
11 Casavant?

12 A Other than being the drilling manager, I don't
13 know.

14 Q Was is the name of (b)(7)(C) drilling company?

15 A I don't recall.

16 Q Is it Double K Excavating?

17 A I've seen the invoices and, frankly, I don't
18 remember what was on them.

19 Q What steps is you take to verify the accuracy of
20 the invoices?

21 A I'm not sure we ever completed that process.

22 Q What steps were you going to take to verify the
23 accuracy of the invoices?

24 A We were still in the process of obtaining a lot
25 of -- a significant amount of information that we did not

1 receive.

2 Q Were any steps taken to verify the accuracy of the
3 invoices?

4 A Well, we certainly met with (b)(7)(C) to discuss
5 his invoicing process, and to obtain all the accounting
6 information, all the costing of all the drilling, and how it
7 was paid, both cash, I believe some stock, and we were trying
8 to compile financial statements based on that information.

9 Q Did you take any notes during any of those
10 meetings?

11 A I did not, no.

12 Q Did anyone? I'm not sure. Not during those
13 meetings, but I wasn't paying attention to everybody

14 Q Have you ever seen any notes from those meetings?

15 A No.

16 Q What was (b)(7)(C) invoicing process?

17 A I'm not really sure myself.

18 Q Who would know that?

19 A Probably (b)(7)(C) would certainly know it.

20 Q Would anyone in your office know that?

21 A I don't know. I don't think so.

22 Q Did you ever ask Urban Casavant if he had any other
23 business with (b)(7)(C), other than that (b)(7)(C) was
24 drilling for him?

25 A I don't recall asking that question.

1 Q Did you ever learn that there was any other
2 arrangement between them?

3 A No.

4 Q Was (b)(7)(C) ever compensated in anything other
5 than cash or checks for his services?

6 A I'm thinking that I understood some stock was used
7 of CMKM's to pay for some of the drilling. That's what I'm
8 thinking, but, you know, the documents are what they are.

9 Q Did you ever discuss with (b)(7)(C) anything
10 about (b)(7)(C) compensation?

11 A I don't think so.

12 Q With any of the documents you received regarding
13 CMKM Diamonds, what steps did you or people acting at your
14 instruction, your staff, ever take to verify the authenticity
15 of the documents?

16 A Well, when it came down to the actual contract
17 between (b)(7)(C) and CMKM, that's why we asked to meet
18 with (b)(7)(C), so we could at least put a face to a
19 document, to a name on the document, to confirm that he was
20 the one that signed that document. So, to that extent, we
21 did that. Now, in terms of the invoices, I'm not sure we got
22 that far.

23 Q Speaking more generally about CMKM Diamonds, other
24 than gathering and reviewing documents, did you or your staff
25 take any other steps, independently, to investigate CMKM

1 Diamonds?

2 A Other than what?

3 Q Other than reviewing --

4 A Generally speaking, you said.

5 Q Other than the documents that you received from
6 Edwards and Angels or Hughes, Hubbard, what steps did you
7 take -- what steps did you or your staff take to investigate
8 CMKM Diamonds or educate yourself about the company?

9 A Well, we met with UCAD to determine what
10 arrangements they had with UCAD.

11 Q Who from UCAD did you meet with?

12 Q Who was the CEO that was at the hearing?

13 Q Are you referring to (b)(7)(C) ?

14 Q (b)(7)(C) was in our office two or three
15 times, going over materials and things that they were doing
16 down in Ecuador, on the mining operation in Ecuador. (b)
17 (b)(7)(C) met with us on a number of occasions to help us with
18 the status of the Americans Shaft in Ecuador, to assist in
19 the position of CMKM Diamonds in that shaft.

20 Q Did you ever meet with anyone other than (b)(7)(C)
21 (b)(7)(C) about the Canadian mining operations?

22 Q No, I don't think so.

23 Q Or did you ever -- were you ever in contact with
24 anyone other than (b)(7)(C) about the Canadian mining
25 operations?

1 Q Not other than the mining authorities up in Canada.

2 Q Other than the invoices from Emerson Koch, did you
3 ever see any evidence that there was mining going on up in
4 Canada?

5 A No.

6 Q Who did you get those invoices from?

7 A When Emerson Koch came down the first time, he
8 brought a stack of documents, approximately a half a box
9 full, a banker's box, full of documents.

10 Q What was contained in those boxes?

11 A You know, I'm not sure, because I didn't go through
12 them initially, and then they went into -- you know, went
13 into our system of files, trying to dissect, you know,
14 everything about what CMKM had.

15 Q Who reviewed those documents?

16 A I believe Kristen reviewed the mining claims. I'm
17 not sure about the invoices.

18 Q Have all of those documents been provided to the
19 Commission?

20 A Whatever we had the Commission received.

21 Q Did you ever see any indication that CMKM Diamonds
22 had received copies of the invoices from Emerson Koch?

23 A I'm not sure we looked for that, from our
24 standpoint. We weren't looking for that at that point.

25 Q Was it your understanding that Urban Casavant had

1 seen those invoices?

2 Q Yes.

3 Q What was your basis for that?

4 Q Well, I mean, he told me it was an expensive
5 process that he was going through up there, so I would
6 assume, for him to make that statement, he would have had to
7 been invoiced.

8 Q Did (b)(7)(C) ever tell you that the
9 activities in Canada had yielded any positive results?

10 A Yes.

11 Q When?

12 A Well, he had some excitement a couple times during
13 the last several months, and more recently indicated that he
14 thought there was some significant material in the last
15 drilling they'd done.

16 Q Prior to the Entourage deal, did (b)(7)(C)
17 ever tell you of any positive results from the mining
18 activities?

19 A Yes.

20 Q When?

21 A I'm not exactly sure.

22 Q What did he tel you?

23 A Well, like I said, there were a couple times, maybe
24 a few times, where he had excitement about what was going on
25 in the drilling up in Canada, as a general statement. I

1 can't be specific, because I'm not going to speculate when
2 those conversations occurred. I don't recall.

3 Q Did he specifically tell you that they had found
4 positive results, or just that things were going well?

5 A Well, I'm not sure how to define "positive
6 results." What a miner might be telling me, I don't get
7 excited about that stuff until I see the big rock in my hand.

8 Q How much have you or your business enterprises,
9 Stoecklein Law Group and Securities Law Institute, been paid
10 in connection with CMKM Diamonds?

11 A You have our banking information. It's in there.

12 Q It appears to be several hundred thousand dollars.
13 Is that approximately correct?

14 A No, that's not correct. I'm going to think it's
15 closer to about 350.

16 Q Three hundred fifty thousand dollars?

17 A Yes.

18 Q Who has paid you in connection with your work for
19 CMKM Diamonds?

20 A Almost always, (b)(7)(C).

21 Q Who else?

22 A I don't think anybody else.

23 Q You said, "Almost always," which implied there was
24 some exception.

25 A Well, you know, (b)(7)(C) doesn't always do things in

1 the simplest way. In some cases, I believe his wife had
2 written us a check on behalf of CMKM, and I think CMK Extreme
3 is the racing venture company, I believe, wrote us checks, or
4 it would be (b)(7)(C).

5 Q What is (b)(7)(C) wife's name?

6 A (b)(7)(C).

7 Q (b)(7)(C)?

8 A Yes.

9 Q Is she an officer or director of CMKM Diamonds?

10 A I don't think so. I think she was at one time, but
11 I don't believe, for the last year, no.

12 Q How did she have authority to sign checks on
13 behalf of CMKM Diamonds?

14 A It was her personal check that she was advancing.

15 Q Why was she paying for CMKM Diamonds' legal fees?

16 A I would assume her husband asked her to.

17 Q Did that seem odd to you?

18 A No.

19 Q Where has CMKM Diamonds maintained offices?

20 A They've had three different facilities that we're
21 aware of. (b)(7)(C) worked out of his house, for the most part,
22 and then he was buying a building in Las Vegas, and that was
23 to be his office, and then he opened up an executive suite
24 type office in Las Vegas.

25 Q Where was the building he was buying located?

1 A Polaris or something, in Vegas, I think.

2 Q Procyon Street?

3 A Procyon, yes. Okay.

4 Q Was he buying the building by himself or with
5 someone else?

6 A I'm not sure if he was buying that with somebody.
7 I know (b)(7)(C) was with him when (b)(7)(C) told us he
8 was buying the building.

9 Q Where was (b)(7)(C) going to get the money to buy the
10 building?

11 A That wasn't anything I handled, so I wasn't even
12 concerned with it.

13 Q What was the address of the executive suite?

14 A I believe it was on Pecos Road. It's the last
15 known address for CMKM Diamonds.

16 Q As far as you know, was that Pecos Road address
17 ever actually used?

18 A Well, I think it was. I think it was used to take
19 telephone calls and as a mailing address.

20 Q Is it still used?

21 A I don't think so.

22 Q Why do --

23 A I don't think he paid the -- when a decision was
24 made to de-register the company's securities, he decided that
25 he would just continue working out of his house or maintain

1 an office up in Canada.

2 Q Does CMKM Diamonds have an office in Canada?

3 A Well, I think they share facilities up there, off
4 and on.

5 Q With whom?

6 A I think with (b)(7)(C).

7 Q And what's your basis for thinking that?

8 A Well, sometimes (b)(7)(C) would be up there and say,
9 "You can reach me at this number. I'll be in the office
10 there."

11 Q Did he ever say that it was CMKM Diamonds' office?

12 A No.

13 Q Have you ever seen anything listing CMKM Diamonds
14 as having an office in Canada?

15 A No.

16 Q Who have been the officers of CMKM Diamonds?

17 A Only (b)(7)(C) since we have been involved the
18 CMKM.

19 Q Have you ever become aware that anyone else served
20 as an officer of CMKM Diamonds?

21 A Well, I've seen some material that they had other
22 officers prior to our involvement.

23 Q Who?

24 A There was a fellow, I think, by the name of

25 (b)(7)(C) that was on some documents. I believe, for a short

1 period of time, even, it seemed to me, (b)(7)(C) and
2 (b)(7)(C) son may have been on one of the documents as a
3 secretary or something.

4 Q Have you ever spoken with (b)(7)(C) ?

5 A No, not to my knowledge.

6 Q Have ever asked (b)(7)(C) about (b)(7)(C) ?

7 A I'm not sure. Might have.

8 Q Do you know anything at all about (b)(7)(C) ?

9 A No.

10 Q Have you ever tried to contact (b)(7)(C) ?

11 A No.

12 Q Do know how to contact him?

13 A No.

14 Q Why were (b)(7)(C) and (b)(7)(C) son officers
15 of CMKM Diamonds?

16 A It was before my time. I wouldn't know.

17 Q How do you know they are no longer officers?

18 A Well, because I was told that (b)(7)(C) was the sole
19 officer and director of the company.

20 Q Did you ever see any papers formalizing their
21 resignation?

22 A No. The paperwork that we had was, quite frankly,
23 very sloppy.

24 Q Who provided you with paperwork, other than
25 Hughes, Hubbard?

1 A (b)(7)(C) brought in a lot of material. We
2 received material from a gal by the name of (b)(7)(C),
3 I think was her last name, and some other fellow that came in
4 with (b)(7)(C) once with a box worth.

5 Q Who was the other person?

6 A I can't think of his name right now.

7 Q Was his name (b)(7)(C)?

8 A Yes. Matter of fact, that was his name, or is his
9 name.

10 Q Anyone else ever give you materials related to CMKM
11 Diamonds?

12 A (b)(7)(C), of course. It seems to me we
13 obtained some information from -- trying to think -- one of
14 the accountants that had worked on CMKM.

15 Q Which one?

16 A Well, I believe (b)(7)(C) provided us some
17 material, and I think we received some information from a
18 bookkeeper for CMKM. Again, I can't recall his name.

19 Q (b)(7)(C)?

20 A (b)(7)(C), yes.

21 Q What role did (b)(7)(C) play at CMKM
22 Diamonds?

23 A I think she did a lot of gofer work for CMKM, just
24 helping (b)(7)(C).

25 Q What was (b)(7)(C) relationship with (b)(7)(C)

1 (b)(7)(C) ?

2 A Other than a secretarial sort, I'm not sure.

3 Q What was (b)(7)(C) relationship with (b)(7)(C)

4 (b)(7)(C) ?

5 A I think he just assisted (b)(7)(C) in different
6 matters.

7 Q In what matters?

8 A I don't --

9 Q Anything besides CMKM Diamonds?

10 A Could have. I don't know.

11 Q Do you know how to contact (b)(7)(C) ?

12 A I'm not sure.

13 Q Have you ever contacted (b)(7)(C) ?

14 A No.

15 Q How many times have you met him?

16 A Four or five.

17 Q How did those come about?

18 A He came to our office with material.

19 Q Four or five times?

20 A Uh-huh.

21 Q Why did (b)(7)(C) have material related to CMKM
22 Diamonds?

23 A Well, I think he worked with (b)(7)(C) and with (b)(7)(C).

24 Q What is (b)(7)(C) relationship with (b)(7)(C)

25 (b)(7)(C) ?

1 A I understood they had been married at one time.

2 Q Do you remember what specific materials (b)(7)(C)
3 (b)(7)(C) provided?

4 A No.

5 Q What specific materials did (b)(7)(C)
6 provide?

7 A Well, in combination, it's the materials you would
8 have received from us. Now, how that was divided in the
9 different trips they made to our office with materials -- we
10 were continuously asking (b)(7)(C) for certain documentation. We
11 would get a certain amount of documents, and we'd say, "Now
12 we're missing this and this and this," and sometimes the
13 documents would show up, and in a number of cases, we didn't
14 receive what we needed.

15 Q Why didn't CMKM Diamonds have better books and
16 records?

17 A Well, we tried to assess that and, quite frankly,
18 we came to the conclusion that (b)(7)(C) was just not the type of
19 manager that was concerned with books and records.

20 Q What about his assistants?

21 A We didn't feel they were competent to do that,
22 either, other than (b)(7)(C), who was uncooperative with
23 us.

24 Q What do you mean by that?

25 A Well, we attempted to get information from him. In

1 theory, he was supposed to have the books on Quickbooks, and
2 we tried to get hold of the Quickbooks, the disk, and we were
3 told he didn't have them, and we hit a dead end.

4 Q Who told you he didn't have them?

5 A (b)(7)(C).

6 Q Did you ever actually meet (b)(7)(C)?

7 A Yes, I did.

8 Q When was that?

9 A In one of our very early meetings, sometime between
10 February, mid-February, and probably March of '05.

11 Q How long did you meet with him?

12 A Maybe about an hour.

13 Q What did he say?

14 A Well, he confirmed he had done the bookkeeping for
15 CMKM, and that he brought in a -- he been working on a
16 shareholder equity sheet, actually, for (b)(7)(C),
17 strangely enough, based on a meeting that he and (b)(7)(C) had had
18 in Las Vegas before our involvement, and he was putting the
19 shareholder equity materials together for CMKM. And I
20 believe we received a copy from (b)(7)(C), and that's the last
21 thing we ever received from him.

22 Q What else was discussed during that meeting with
23 Mr. DeSormeau?

24 A Well, whether he had significant accounting
25 information. You have to understand, we were going to try to

1 generate financial reports that were going to -- and write a
2 10SB, virtually, was our initial thought, and to enable us to
3 do that, we needed financial statements, and to do those
4 financial statements, we needed financial records, and that
5 actually never happened.

6 Q Who told you that (b)(7)(C) had the financial
7 records?

8 A I'm not sure he didn't say that at one time to me,
9 that he had the material in Quickbooks.

10 Q What was (b)(7)(C) role at CMKM Diamonds?

11 A Bookkeeper, accountant, business consultant.

12 Q Anything else?

13 A I'm not sure.

14 Q How much was (b)(7)(C) paid?

15 A We found records of some very, very serious stock
16 transactions. Cash, I'm not sure, but I remember a very
17 large number of stock that went to him.

18 Q Did you ever discuss that with (b)(7)(C)?

19 A No. I couldn't get hold of (b)(7)(C) after that. I
20 think he knew we were starting to kind of peel the onion, so
21 to speak, on a lot of the information at CMKM.

22 Q Did you ever discuss that with (b)(7)(C)?

23 A Yes.

24 Q What did (b)(7)(C) say?

25 A (b)(7)(C) was disappointed that, based on all the

1 information [REDACTED] had and everything, that he was not
2 turning it over to CMKM.

3 Q Did you ever ask [REDACTED] about the large
4 stock transfers to [REDACTED]?

5 A Yes I did, and [REDACTED] had indicated to me he was not
6 involved in those stock transactions, that it was at a time
7 when he was ill or not paying attention, or that other people
8 were involved in the company other than himself.

9 Q Who was that?

10 A Well, [REDACTED] was involved in the company at
11 the time, hands on, from what I can understand. Who was the
12 attorney from Angels and Edwards? I keep forgetting.

13 Q [REDACTED]?

14 A [REDACTED] was heavily involved with [REDACTED]
15 at that point in time, and possibly even a fellow by the name
16 of [REDACTED].

17 Q Who is [REDACTED]s?

18 A [REDACTED].

19 Q Who is [REDACTED]?

20 A Well, I'm not sure who he is, but he apparently was
21 involved in the company from the aspect of providing [REDACTED]
22 with the reverse merger vehicle that allowed [REDACTED] to be
23 trading on the OTC Bulletin Board.

24 Q And how did you come to learn that?

25 A I learned it from [REDACTED], I learned it from [REDACTED]

1 (b)(7)(C), I learned it from (b)(7)(C), and it was partially
2 confirmed by (b)(7)(C) himself.

3 Q Have you ever met (b)(7)(C)?

4 A I've met him on two occasions.

5 Q When were those two occasions?

6 A Early on in our representation of CMKM. I'm
7 thinking March of '05.

8 Q How did you happen to meet him?

9 A As part of our ongoing, or the beginning, I should
10 say, at that time, process of trying to obtain information on
11 CMKM, we were trying to get an idea of statements that were
12 made in an early proxy statement, and really just trying to
13 figure out how the -- parts of that merger, to us, never
14 seemed to have been completed, and when we couldn't get hold
15 of the fellow, (b)(7)(C), we asked (b)(7)(C) if he could bring any
16 of the participants in that had helped in that merger
17 process, and (b)(7)(C) was one of them.

18 Q What was (b)(7)(C)'s role in that initial
19 transaction?

20 A I'm not sure he shows up anywhere in a formal role.

21 Q What role did he play, though, in practice?

22 A I think he probably owned the vehicle.

23 Q Why do you think that?

24 A Well, as I understand it, he had a number of trusts
25 and entities that controlled blocks of stock in the

1 predecessor to CMKM Diamonds.

2 Q Cybermark?

3 A Yes, I think it was Cybermark. And, you know, in
4 the process of owning that stock, I believe he partially
5 financed CMKM.

6 Q Do you have any other -- what is your basis for
7 thinking that?

8 A Well, when (b)(7)(C) got involved, (b)(7)(C) started
9 to do some investigatory work, and (b)(7)(C) had been asking us
10 for information, and we provided what we could, and, based on
11 that information, he went to some stock brokerage houses in
12 Nevada, one in particular, where (b)(7)(C) purportedly had
13 a number of accounts, and had CMKM stock, large blocks of
14 CMKM stock. So it was partially based on those statements by
15 (b)(7)(C).

16 Q Did (b)(7)(C) ever tell you anything about
17 (b)(7)(C)?

18 A Well, other than (b)(7)(C) the one that introduced him
19 to Cybermark, and handling the transaction between Cybermark
20 and CMKM.

21 Q Has (b)(7)(C) ever said anything else to you
22 about (b)(7)(C)?

23 A No.

24 Q Have you ever asked?

25 A Well, when you say "anything else," I mean, "The

1 guy's got ugly red hair." I mean, I don't know. Be
2 specific.

3 Q Have you ever had any other conversations, since
4 the initial meeting with (b)(7)(C), with (b)(7)(C)
5 regarding (b)(7)(C)?

6 A Yes.

7 Q When?

8 A Second meeting.

9 Q Why was there a second meeting?

10 A There were major stock transactions in CMKM. We're
11 talking billions of shares that showed -- and remember, we're
12 only a month into the process, maybe, of looking at CMKM at
13 that point. And in that month, by the way, yes, we get paid
14 a little bit of money in the beginning, but we get hit with
15 having to comply with your subpoena by -- I think it was like
16 16 March you filed your order for the 12J hearing, so we're
17 dealing with that.

18 We're dealing with trying to deal with (b)(7)(C)
19 and see if this is all real up in Canada, and getting mining
20 claims. We're trying to gather as much information as we can
21 from -- and knowing that we -- I think we've confirmed that
22 Urban is not a -- he's not a paper pusher. He doesn't keep
23 things. He counts on people to do things, and when they did
24 the Cybermark transaction, other people handled all of that
25 transaction.

1 So, I mean, he's pretty naive, realistically, about
2 this whole process, and so, when it came down to trying to
3 confirm with people, (b)(7)(C) was one of the people we
4 ended up going back to and asking questions on the two
5 occasions. Really, the second occasion came about because of
6 all the -- we were trying to figure out, what are the
7 billions of shares of stock? What were they issued for?

8 Q What did he tell you?

9 A Well, I mean, he indicated the they were legitimate
10 consultants to the company. Now, at that point, I think we
11 had already learned (b)(7)(C) himself received
12 64,000,000,000 shares of stock. (b)(7)(C) became very
13 concerned when we indicated -- we requested whether the
14 company had issued any 1099s to individuals, because that was
15 kind of on the watch of this (b)(7)(C) fellow who, our
16 suspicion was, worked for (b)(7)(C).

17 Q What was your basis for thinking that?

18 A Let's say I don't know. It just -- (b)(7)(C) knew too
19 much about what was going on, and at that point, we had
20 already had a meeting with (b)(7)(C), one meeting, because
21 we were trying to see, is he going to be the auditor or is he
22 not? What's his relationship to all these players?

23 We learned that (b)(7) had, I think, five or six
24 other companies that he was doing for (b)(7)(C), handling
25 for (b)(7)(C). So, naturally, we needed to ask Neil what he knew

1 about the predecessor material. We suspected he had a lot
2 more material, which, as it turned out, he probably didn't,
3 that he was counting on (b)(7)(C) to put it together for him.
4 (b)(7)(C) shared with us he was very concerned over the
5 stock issuances. You not only had stock issuances for
6 consulting work, you had stock issuances for consulting work
7 where the so-called consulting agreements went back a couple
8 years, and then you would see the certificate issued two
9 years later, and then (b)(7)(C) went for four opinion
10 letters. So you had a lot of that going on, and we were
11 looking at that, trying to determine, are these legitimate
12 stock transactions?

13 Q Did you ever come to any conclusions?

14 A We never came to a conclusion, because we never
15 were able to finish the job, but our analysis started to
16 become, if these are not legitimate, how do we account for
17 them?

18 Q Did you ever express your concerns to (b)(7)(C)
19 (b)(7)(C)?

20 A Yes, we did.

21 Q What did he say?

22 A Even in the meeting, the second meeting with (b)(7)(C)
23 (b)(7)(C), and where I was going before I rambled on -- I mean,
24 you're trying to get the facts out here, not -- you know,
25 (b)(7)(C) became very concerned on the tax issue.

1 Q What did he say?

2 A Well, let me go back just a step. When we had the
3 first meeting with (b)(7)(C), some of these issues came up. He, I
4 believe, came back in on the second meeting to talk us out of
5 getting the company reporting.

6 Q Why?

7 A I think it would have generated an audited
8 financial statement, eventually, and to do that audited
9 financial statement would have meant we have financial
10 statements that are going to show what went on through the
11 whole process. If that happened, and you have people with
12 1099 income, I believe you have a major tax problem amongst
13 some people.

14 Q Did (b)(7)(C) express that to you?

15 A Yes.

16 Q What else did he say?

17 A Well, he was trying to figure out a way to -- well,
18 when I say that he expressed that, he expressed a tax
19 concern, "Isn't there some way that somebody can receive
20 stock and not incur a tax on it?" And we said, "No, it's
21 compensation. It's like cash. And how do you value that?"
22 So those were the types of concerns he had. And why do I
23 believe he didn't want us to get them reporting? He was
24 looking to merge CMKM into some other vehicle he had.

25 Q What vehicle?

1 A I don't know. He threw a name out, and I don't
2 recall what it was, but we boo-hoed it right away. We said,
3 "If you're going to do that, we're gone. We're out of here."

4 Q Was it St. George Metals?

5 A Might have been. Might have been, because we know
6 he was involved somehow in St. George.

7 Q How do you know that?

8 A I don't remember.

9 Q Do you have any recollection?

10 A No. I mean, remember, we're sitting there, we're
11 having these discussions, and I just had the distinct
12 impression he was very involved in St. George.

13 Q This isn't exactly a question, but I'll just
14 explain what I'm trying to do. My goal is to understand
15 everything that (b)(7)(C) said to you during these two
16 meetings. So, to the extent -- is there anything else you
17 can tell me that (b)(7)(C) said to you?

18 A Not that I can think about right now, or that I can
19 recall.

20 Q Did (b)(7)(C) ever seem to disagree with (b)(7)
21 (b)(7)(C) ?

22 A Yes, yes. (b)(7)(C) was really -- when you start
23 talking about reverse mergers, generally you're going to talk
24 about the dilution to existing shareholders. Even though
25 (b)(7)(C) may have been still a large shareholder, if he held more

1 stock in the company he wants to reverse you into, he's going
2 to end up with the lion's share of it.

3 Urban was really pushing to, frankly, try to get
4 the company's financials back together again and have us
5 obtain a reporting status for this company. He was committed
6 to the process. He spent large sums of money. I mean, a lot
7 of the money we were paid in our agreement with Urban wasn't
8 in our initial agreement.

9 We thought we would respond to your subpoena. We
10 would, you know, send you your box of goodies and, you know,
11 let you do your job, and we would do our job, and then, of
12 course, as I indicated, we got hit with a 12J, and you know
13 how much effort you've spent on the 12J hearing.

14 Likewise, we spent quite a bit of effort on it, and
15 the point being, once a decision had been made to file that
16 Form 15, and also contrary to the hearing memos that were
17 generated, we didn't know of the Hughes, Hubbard and Reed
18 letter to you. We were not made aware of that. And so, when
19 we filed that Form 15, we only knew that my discussion with
20 Kevin O'Neil at the Commission in Washington was "What are we
21 going to do? We either got to file -- have to file a Form
22 10SB, or there may be a simpler process."

23 Q Let me ask you a different question. Did you ever
24 ask Urban Casavant why the initial Form 15 had been filed in
25 July of '03?

1 A Yes, I did, and, quite frankly, he didn't know who
2 filed it, how it got filed, why it was filed.

3 Q Did you ever receive any indication that (b)(7)(C)
4 (b)(7)(C) had filed it?

5 A We suspected he filed it, but I'm not sure where
6 that suspicion was generated from.

7 Q Did you ever ask (b)(7)(C) about it?

8 A (b)(7)(C) and (b)(7)(C) were less than receptive to our
9 discussions.

10 Q What do you mean by that?

11 A I feel they were extremely worried about (b)(7)(C)
12 (b)(7)(C).

13 Q In what way?

14 A Physical threat.

15 Q Why do you think that?

16 A I think (b)(7)(C) actually -- (b)(7)(C) was always really
17 kind of strange around us. I mean, she was very worried
18 where we were going with things, and we needed to do this
19 and, you know, like "You can't do that." I mean, she was
20 very concerned, very concerned.

21 I said -- well, I pretty much asked her the
22 question, "What do you mean, 'concerned'?" "Well, I don't
23 want my child and myself to be threatened and be put in a
24 threatening position. So I don't want you to have these
25 discussions with me." So she wasn't real open about

1 providing information.

2 Q Did she provide any information other than the
3 documents?

4 A Not really, no, nothing helpful to us.

5 Q Did she seem to know (b)(7)(C)?

6 A Yes.

7 Q What did she say about (b)(7)(C)?

8 A He scared her.

9 Q Why did he scare her?

10 A I think, from what I can tell you, I've told you.

11 Q I mean, did she say that he had ever threatened
12 her?

13 A She implied that he had threatened her.

14 BY (b)(7)(C):

15 Q Physically threatened her?

16 A Physically.

17 BY (b)(7)(C):

18 Q What about (b)(7)(C)? What did he say about (b)(7)(C)
19 (b)(7)(C)?

20 A (b)(7)(C) was not happy about (b)(7)(C), and, as you
21 will recall, there's an S8 that was filed. We specifically
22 asked (b)(7)(C) about the compensation under that S8.
23 It's a pretty big block of stock, billions of -- well, no, it
24 wasn't. At that time, I think it was a half a million --
25 half a billion, 500,000,000 each or something, to two people,

1 something like that.

2 Q I don't have the records in front of me.

3 A Yes. And I asked (b)(7)(C); about that, and I said,
4 "(b)(7)(C), you have a tax problem." And he says, "What do you
5 mean?" And I said, "That's probably 1099 income. When this
6 company gets back to reporting, it's going to be filing and
7 bringing current all those reports, because the auditor is
8 going to request it," assuming we had an auditor.

9 He said, "I didn't receive that stock." I said,
10 "But your name is on it." He says, "My name is not on that
11 stock. I didn't have that issued to me." And he said, "If
12 you'll look at the spelling of the name, it isn't even
13 correct on the transfer agent list." I think it's an I
14 versus an E, or an E versus an I. I said, "Well, (b)(7)(C),
15 you'd better clear it up, because you have this -- you have a
16 tax issue." And he says, "I can't clear it up."

17 I said, "What do you mean, you can't clear it up?
18 It's a major issue." And he says, "I'd rather deal with the
19 IRS than somebody else." And he alluded to (b)(7)(C), but
20 I'm not sure he used the word "(b)(7)(C)" in that
21 conversation. So that told me we had some characters out
22 here in this company that -- frankly, I was concerned for our
23 staff and what we were doing in this whole process.

24 Q Did you ever discuss these concerns with (b)(7)(C)

25 (b)(7)(C)?

1 A Briefly, and (b)(7)(C) kind of brushed it off. He
2 says, "You know, I don't think that's the case," and I don't
3 think (b)(7)(C) was really worried about (b)(7)(C), because he told
4 (b)(7)(C) "We're going to move forward to get this company
5 reporting, (b)(7)(C). So you can take that idea and leave with
6 it." And he said, (b)(7)(C) said, "If people have tax
7 obligations as a result of stock they received for the
8 consulting work they did, they'll have to cover those tax
9 consequences."

10 Q Did (b)(7)(C) ever tell you that (b)(7)(C)
11 did any consulting for CMKM Diamonds?

12 A I don't think he did, no.

13 Q Why did (b)(7)(C) receive all those shares?

14 A We never figured it out.

15 Q Did you ever ask (b)(7)(C)?

16 A Yes. I don't think (b)(7)(C) -- I think a lot of the
17 stock (b)(7)(C) received he received before -- he had the stock in
18 the predecessor company. So, when it carried over and the
19 reverse occurred, he already had a block. I do believe he
20 received more shares afterwards, and (b)(7)(C) alluded to some
21 non-dilution agreement that (b)(7)(C) kept shoving down his
22 throat.

23 Q Did you ever see a copy of that agreement?

24 A No.

25 Q Did you ever wonder if (b)(7)(C) actually

1 existed?

2 A Yes, we did wonder that. We wondered if Emerson
3 Koch existed.

4 Q Did you ever ask (b)(7)(C) if (b)(7)(C)
5 actually existed?

6 A We came to a conclusion that he existed.

7 Q What was the basis for that conclusion?

8 A I don't recall.

9 Q Did you ever ask (b)(7)(C) why he had gotten all
10 those shares of stock?

11 A No. And we asked for another meeting with (b)(7)(C)
12 (b)(7)(C), and we told (b)(7)(C) we were going to ask for another
13 meeting once we determined where things sat in terms of the
14 shareholder equity and trying to track all these
15 transactions, and we had some minor issues we wanted to talk
16 to (b)(7)(C) about, and we couldn't get (b)(7)(C) to come back in the
17 office.

18 Q What happened?

19 A Just "Too busy, out of country, won't be back for a
20 while."

21 Q How did (b)(7)(C) first meet (b)(7)(C)?

22 A I have no idea.

23 Q Have you ever spoken with (b)(7)(C)?

24 A I know he's the prior auditor, because we were
25 trying to obtain records from (b)(7)(C). I did not, no. I asked

1 (b)(7)(C) to talk to (b)(7)(C), because (b)(7)(C) had worked
2 with (b)(7)(C). In fact, the job of auditing had come from (b)(7)(C)
3 (b)(7)(C) to (b)(7)(C), as I understood from (b)(7)(C).

4 Q Did (b)(7)(C) ever tell you that (b)(7)(C)
5 had given him money?

6 A I'm not sure. I'm not sure because there was an
7 investment of \$10,000,000 into CMKM, and I think we were
8 trying to determine -- I believe that was from St. George
9 Metals, and somehow I believe that that came through (b)(7)(C)
10 (b)(7)(C).

11 Q Was the \$10,000,000 for?

12 A It bought a percentage of the mining claims in
13 Canada. I believe it was five percent of the mining claims.

14 Q Do you know anything else about that deal?

15 A No.

16 Q How was that price reached?

17 A I have no idea.

18 Q Did you ever develop an understanding that that
19 \$10,000,000 was actually payment for something else?

20 A No. No, because we asked where some of this
21 money -- I mean, it was some sizeable -- for a small
22 company -- I mean, we're not talking Enron or WorldCom here.
23 So, for a small company to have \$10,000,000 come in, we were
24 trying to figure out, where is the company making its money
25 now, if it's a development company?

1 You know, it's going to be drilling, and until it
2 pulls something up or sells something, it has no revenue.
3 And what we understood was, well, the company had sold off
4 five percent, and would be willing to sell off more of the
5 mining claims as they obtained better geology reports. Then
6 the value might go up, and they'd be able to sell off a piece
7 of their action, so to speak.

8 Q What happened to the \$10,000,000?

9 A They used a lot of it for (b)(7)(C), for
10 drilling and things. The accounting on that I believe you
11 have. I don't have a recollection of it, but I think that
12 shows in there where the flow of the money went. You had
13 that before the hearing, I believe.

14 BY (b)(7)(C):

15 Q I just had a couple of clean-up questions.
16 Mr. Stoecklein, you said that first meeting with (b)(7)(C)
17 was around March '05, and you talked about two meetings with
18 him.

19 A Yes, that is.

20 Q When was the second meeting, roughly?

21 A Within a week to 10 days after that.

22 Q Okay. And other than those two meetings, have you
23 had any other meetings with (b)(7)(C)?

24 A No.

25 BY (b)(7)(C):

1 Q Have you have any other contact with (b)(7)(C) at
2 all?

3 A No. I'm just trying to think, if we were trying to
4 contact him and couldn't get hold of him, whether that's
5 contact, but I don't recall what happened there.

6 Q Did anyone else ever express to you any fears about
7 (b)(7)(C) ?

8 A Not that I can recall.

9 Q I'm showing you what's been marked as Government's
10 Exhibit 56. Exhibit 56 is a two-page document. It's a fax
11 cover sheet from Double K Excavating to (b)(7)(C), and
12 then the second page is a -- appears to be a spreadsheet of
13 funds to Double K Excavating. It is Bates-numbered 643 and
14 644. Do you recognize Exhibit 56?

15 (SEC Exhibit No. 56 was marked for
16 identification.)

17 A Yes, I do.

18 Q What is Exhibit 56?

19 A Well, I really -- it appears that it's a cover
20 sheet to (b)(7)(C) in our office at Opus Point, who was working
21 on the compilation of the financial statements, and it
22 appears to be a reconciliation of the cash that (b)(7)(C)
23 received towards the drilling.

24 Q It appears from the second page of Exhibit 56 that
25 (b)(7)(C) received, in U.S. dollars, 2.69 million dollars.

1 Is that correct?

2 A Well, I don't know if that's correct, but that's
3 what this is saying. That's what (b)(7)(C) seems to be
4 saying in --

5 Q Assuming these records are accurate, do you know
6 what happened to the rest of the \$10,000,000?

7 A No, I don't.

8 Q Did (b)(7)(C) ever indicate to you that he had
9 spent CMKM Diamonds' money on his personal expenses?

10 A I understood that (b)(7)(C) had a lot of money that he
11 put into CMKM, and that there was money going in, money
12 coming out. He spent money on CMK Extreme, the racing,
13 because they sponsored it, and I did understand a lot of the
14 money went to that sponsorship. To ask me about specific
15 dollars, other than the -- I mean, the financial information
16 we provided you we compiled by request for information like
17 Suzanne was requesting here. So, if you don't have it, we
18 don't have it.

19 Q But I guess I'm wondering, did you ever discuss
20 with (b)(7)(C) whether he spent CMKM Diamonds' money for
21 his own personal expenses?

22 A We discussed the flow of money in and out of CMKM
23 Diamonds. To the extent that he paid himself back a loan
24 that he may have made before, yes, we discussed that with
25 him. Whether he actually took CMKM money and bought

1 something for himself, and didn't charge that against a
2 repayment, I'm not aware of that.

3 Q Did you ever see any formalized loan agreements
4 between CMKM Diamonds and (b)(7)(C)?

5 A I don't recall seeing any formal notes.

6 Q Was (b)(7)(C) ever issued any shares of CMKM
7 Diamonds stock?

8 A As I recall, yes.

9 Q Did you ever ask her about those issuances?

10 A We had a discussion over them, and, you know, what
11 was done for them, and clearly she was working with (b)(7)(C) on
12 a daily basis at some point in time. There was that
13 relationship going on.

14 Q Was it your understanding that (b)(7)(C) and
15 (b)(7)(C) ever had a personal relationship?

16 A I don't think so.

17 Q Did (b)(7)(C) ever communicate to you what
18 she did with the proceeds of selling CMKM Diamonds stock?

19 A No.

20 Q Did you ever come to any understanding of what she
21 did with the money?

22 A No.

23 Q What about (b)(7)(C)?

24 A Neither with (b)(7)(C).

25 Q Have you ever seen any trading records for (b)(7)(C)

1 (b)(7)(C) or (b)(7)(C) ?

2 A We have not.

3 Q Do you know if they ever sold their stock?

4 A I do not.

5 (b)(7)(C): We've been going a little over two
6 hours. I think it may be time to take a lunch break. Let's
7 go off the record at 12:07 p.m.

8 (Proceedings recessed for lunch at 12:07 p.m.)

9 (b)(7)(C): Back on the record at 12:50 p.m.

10 EXAMINATION (Continued)

11 BY (b)(7)(C):

12 Q Mr. Stoecklein, do you agree that we had no
13 substantive conversations during the break?

14 A Yes.

15 Q And do you understand that you are still under
16 oath?

17 A Yes.

18 Q And is there any reason you cannot continue to give
19 your best testimony today?

20 A No.

21 Q And I notice you're still unrepresented by counsel.
22 Is that correct?

23 A That's correct.

24 Q And do you understand that, if you want to, we can
25 adjourn this proceeding so that you can obtain counsel?

1 A Yes.

2 Q Mr. Stoecklein, what is Entourage Mining, Limited?

3 A To my knowledge, it's a Canadian Over-The-Counter
4 Bulletin Board company.

5 Q Have you ever spoken with anyone at Entourage?

6 A I have.

7 Q Who?

8 A (b)(7)(C), and another fellow by the name of
9 Paul, and I don't recall his last name.

10 Q Was it (b)(7)(C)?

11 A You know, I just don't know the last name.

12 Q Did you know it and don't remember it, or have you
13 never known it?

14 A I've known it and just don't recall.

15 Q Who is (b)(7)(C)?

16 A I understand he's the CEO of Entourage.

17 Q When did you speak with him?

18 A The last time I spoke with him was approximately
19 two to three weeks ago.

20 Q And what did you talk to him about?

21 A About the issuance of a 45,000,000-share
22 certificate to CMKM Diamonds.

23 Q Has that certificate been issued?

24 A Yes, it has.

25 Q Who is it made out to?

1 A It is made out to CMKM Diamonds, Inc.

2 Q Who is (b)(7)
(C)?

3 A (b)(7)
(C) is an executive, as I understood it, in
4 Entourage.

5 Q What's the first time you heard of Entourage
6 Mining?

7 A Well, probably as we were going through some of the
8 early materials of CMKM. I believe there was some form of an
9 agreement with CMKM and Entourage, or there was a
10 relationship somewhere along the line.

11 Q When you first saw that, did you ask anyone about
12 it?

13 A No. We didn't really get involved in that.

14 Q When was the first time you ever discussed
15 Entourage Mining with anyone?

16 A I believe mid-summer sometime. We had this fellow
17 (b)(7) and (b)(7)(C) and (b)(7)(C) come into our
18 offices.

19 Q In summer of 2005?

20 A Yes.

21 Q And what was the point of that meeting?

22 A Frankly, I don't recall.

23 Q Do you remember what was discussed at that meeting?

24 A Well, no, I don't.

25 Q How long was that meeting?

1 A About an hour.

2 Q At that point, what relationship was there between
3 CMKM Diamonds and Entourage?

4 A As I understood it, Entourage had an interest,
5 already an interest, in diamond fields in the Canadian area,
6 Saskatchewan, where CMKM's operations were.

7 Q And what was the relationship between the two
8 companies?

9 A I think there was just a business relationship, as
10 I could understand.

11 Q And what was your basis for that understanding?

12 A In speaking with (b)(7)(C), and the interaction
13 between (b)(7)(C) and (b)(7)(C).

14 Q Was the relationship between Entourage and CMKM
15 Diamonds or between Entourage and (b)(7)(C)?

16 A It seemed to be between -- well, between the two
17 companies.

18 Q Did you ever ask (b)(7)(C) about the
19 relationship?

20 A No.

21 Q Has (b)(7)(C) ever told you about the
22 relationship between CMKM Diamonds and Entourage Mining?

23 A Well, has he told me about the relationship? I
24 guess he did. Whether it was inadvertent or specific I don't
25 recall, but I understood from all these parties there was a

1 preexisting relationship.

2 Q Has (b)(7)(C) ever invested in Entourage
3 Mining?

4 A I have no idea.

5 Q Has (b)(7)(C) ever invested in Entourage Mining?

6 A That I wouldn't know.

7 Q What is Silver Fox Capital?

8 A Silver Fox Capital. Don't know.

9 Q Who is (b)(7)(C)?

10 A I think (b)(7)(C) is (b)(7)(C) brother.

11 Q Have you ever met (b)(7)(C)?

12 A Yes, I have.

13 Q When?

14 A (b)(7)(C) brought him into our office on at least one
15 occasion.

16 Q Why?

17 A And you said, have I ever met him? I mean,

18 that's -- I'm not sure why he was there. I think (b)(7)
19 (b)(7)(C) is involved or was involved in CMK Extreme, the
20 racing organization.

21 Q Has (b)(7)(C) ever been involved with Entourage
22 Mining?

23 A I don't know.

24 Q Have you ever been -- to your knowledge, have you
25 ever seen him mention Entourage Mining or discuss Entourage

1 Mining?

2 A No.

3 Q Has (b)(7)(C) ever been involved with
4 Entourage Mining other than deals between Entourage and CMKM
5 Diamonds?

6 A Not that I'm aware of.

7 Q Who are the large shareholders of Entourage Mining?

8 A I don't know.

9 Q What happened after this first --

10 A Well, the large shareholder would be CMKM, I would
11 assume, at this point.

12 Q Do you know of any other people who own shares of
13 Entourage Mining?

14 A No.

15 Q Any other entities?

16 A No.

17 Q After the initial meeting sometime in the summer of
18 2005, when was the next time you heard about Entourage
19 Mining?

20 A There was a meeting in the fall of '05 between (b)(7)
(C)
21 (b)(7)(C), this fellow (b)(7)(C), and (b)(7)(C) and myself, in our
22 offices.

23 Q When was that meeting?

24 A I think it was in the fall of '05. I'm not sure
25 exactly when.

1 Q What was the point of that meeting?

2 A (b)(7)(C) was explaining to me that he wanted to strike
3 a deal with Entourage, which would involve (b)(7)(C), to
4 somehow obtain stock from Entourage for a position that CMKM
5 could assert against (b)(7)(C) under the contracts that
6 existed between (b)(7)(C) and CMKM Diamonds.

7 Q What do you mean by "assert a position"?

8 A Well, CMKM had certain obligations to (b)(7)(C)
9 under their agreement, paying for, you know, the drilling, et
10 cetera. They were in default of those agreements. So the
11 question was, if they're defaulted, there was some provision
12 in the agreement that allowed for CMKM to participate to some
13 extent even if there were a default, based on all the money
14 they had spent in the drilling, et cetera. If Entourage was
15 going to be able to work with (b)(7)(C), they were going
16 to have to deal with that part of the contract with CMKM,
17 which meant there had to be an agreement between all three
18 entities.

19 Q Why had CMKM Diamonds defaulted on its agreement
20 with (b)(7)(C)?

21 A They didn't have the money to continue with the
22 drilling.

23 Q What happened to CMKM Diamonds' money?

24 A Well, I mean, we've discussed that. I don't know
25 what happened to it.

1 Q Was it your impression that -- was (b)(7)(C)
2 involved with these negotiations?

3 A He may have been, but not when I was around.

4 Q What negotiations were you involved with?

5 A Actually, no negotiations. There were discussions
6 between Entourage and CMKM in my presence. We were not
7 counsel, not general counsel, and not having, really, any
8 input in the meetings.

9 Q What did (b)(7)(C) -- how many meetings were
10 there?

11 A Two meetings.

12 Q When were they?

13 A Well, the one was in the fall, and I think there
14 was another meeting sometime in the fall. It could have been
15 late summer, but right around that time.

16 Q When did you learn that (b)(7)(C) was
17 considering the deal with Entourage?

18 A Well, I'm not sure if it was where they were in
19 discussions in our office or -- there was a discussion at
20 (b)(7)(C) home in Las Vegas.

21 Q When was that?

22 A Around the same time --

23 Q How many times --

24 A -- give or take a month in between.

25 Q Did these discussions begin before or after the

1 revocation of CMKM Diamonds' stock?

2 A The initial discussion would have been a few months
3 before. Then there were two meetings that were right around
4 the time of the de-registration.

5 Q What was the initial plan for the deal?

6 A Again, I don't know. I was only there to assist
7 where there would be any assets available for distribution to
8 the shareholders of CMKM, not there to assist in perfecting
9 an agreement between the parties.

10 Q What do you mean by "distributing the assets"?

11 A Well, as it turned out, CMKM was going to receive
12 15,000,000 shares of stock.

13 Q In Entourage?

14 A In Entourage.

15 Q In exchange for what?

16 A In exchange for allowing Entourage to contract with
17 (b)(7)(C) directly, and CMKM walk away from their
18 agreement and not get into a dispute with (b)(7)(C) over
19 that.

20 Q Did CMKM receive the shares directly, or did the
21 shares go to (b)(7)(C) and from there to CMKM?

22 A (b)(7)(C) directed, to my knowledge, Entourage
23 to issue those shares.

24 Q To CMKM?

25 A To CMKM.

1 Q Why did (b)(7)(C) do that?

2 A Well, because of the agreement where, in the event
3 of a default, CMKM had a right to certain interests in the
4 mining claims, even after the default.

5 Q And to your understanding, that's why (b)(7)(C)
6 was obliged to give the shares to CMKM?

7 A That was my understanding.

8 Q Mr. Stoecklein, I'm showing you a copy of what has
9 been marked as Government's Exhibit 57. Exhibit 57 is a one-
10 page document. It's a letter from (b)(7)(C) to (b)(7)(C)
11 (b)(7)(C) dated October 20th, 2005. Do you recognize this
12 document?

13 (SEC Exhibit No. 57 was marked for
14 identification.)

15 A I've seen this document, yes.

16 Q Who first showed you this document?

17 A I think (b)(7)(C).

18 Q When did (b)(7)(C) show you Exhibit 57?

19 A Well, I'm not sure, but probably close to the time
20 this letter was written, or shortly thereafter.

21 Q And is this an accurate copy of the letter that he
22 showed you?

23 A I don't know. I just have a vague remembrance of
24 the letter.

25 Q Mr. Stoecklein, I can represent to you that Exhibit

1 57 was produced to the Commission by you.

2 A Okay.

3 Q Do you have any reason to doubt the accuracy of
4 this letter?

5 A Not at all.

6 Q It appears that -- have you had an opportunity to
7 read Exhibit 57?

8 A I have.

9 Q Does Exhibit 57 change your -- refresh your
10 recollection as to why (b)(7)(C) gave his shares of
11 Entourage Mining to CMKM Diamonds?

12 A No, not really.

13 Q Please would you read the last paragraph of Exhibit
14 57.

15 A It says: "As stated in the agreement between
16 Entourage and 101047025, CMKM Diamonds has acknowledged it no
17 longer has any rights to the claims. Furthermore, any shares
18 distributed to CMKM Diamonds stockholders are a result of
19 101047205's gratuitous gesture, as a result of CMKM Diamonds'
20 advances given for the drilling and exploration of the
21 claims."

22 Q What's your understanding of what the word
23 "gratuitous" means?

24 A Well, I think what -- there was a dispute running
25 between (b)(7)(C) and (b)(7)(C), as I can recall, as shared with me

1 by (b)(7)(C), not Emerson, and (b)(7)(C) understood that, after
2 advancing all this money, in the event of a default, at least
3 CMKM Diamonds would have something. (b)(7)(C) position was,
4 "Well, normally you wouldn't, but I'll be gratuitous, and I'm
5 going to give it to you, so that we don't have a battle on
6 our hands over the claims." That's my understanding.

7 Q Did you ever discuss the Entourage deal with
8 (b)(7)(C)?

9 A No.

10 Q When was the last time you were in touch with
11 (b)(7)(C)?

12 A I'm not sure. I'm thinking spring of '05.

13 Q Were you ever in touch with him in connection with
14 any transaction involving Entourage?

15 A No, not that I can recall.

16 Q Who negotiated the deal between CMKM Diamonds and
17 Entourage?

18 A It was (b)(7)(C), and (b)(7)(C).

19 Q What is the overall forward-looking business plan
20 for CMKM Diamonds?

21 A What is it?

22 Q Uh-huh.

23 A I have no idea.

24 Q What have you been told is the plan?

25 A I haven't been told there is a plan.

1 Q Is it your understanding that CMKM Diamonds intends
2 to wind up operations?

3 A It is my understanding that, after the liquidation
4 of the shares, there may be nothing left to liquidate, but
5 what the intention of moving the company forward, I don't
6 know.

7 Q Have you asked anyone?

8 A No.

9 Q Why not?

10 A I'm really not involved in -- I don't represent
11 CMKM anymore.

12 Q When did you last represent CMKM Diamonds?

13 A During the de-registration.

14 Q When did you --

15 A When we filed the request, we were on an appeal,
16 and we requested that the appeal be dropped.

17 Q At that time, what was your understanding of CMKM
18 Diamonds' business plan?

19 A I didn't have an understanding.

20 Q Have you ever discussed CMKM Diamonds' future plans
21 with (b)(7)(C) ?

22 A No.

23 Q Have you ever discussed CMKM Diamonds' future plans
24 with (b)(7)(C) ?

25 A No.

1 Q Have you ever discussed CMKM Diamonds' future plans
2 with anyone?

3 A Not after that date, no.

4 Q On that date, did you discuss CMKM Diamonds' future
5 plans?

6 A No.

7 Q When was the last time you discussed CMKM Diamonds'
8 plans?

9 A Well, clearly, in the middle of the appeal, and
10 when we were still thinking the company was going to obtain a
11 report, you know, of compiled financial statements, audits,
12 and reporting obligation back with the Commission. That
13 would have been a time we would have had ongoing discussions
14 on what the plans were.

15 Q When did it become clear that CMKM Diamonds would
16 not be able to file periodic reports with the Commission?

17 A I don't think it ever became clear we were not
18 going to be able to complete the job. In our office, meaning
19 the Stoecklein Law Group, Opus Point, Securities Law
20 Institute, we're of the understanding that we were having
21 significant difficulties getting sufficient information to
22 compile the financial statements.

23 I don't know that we ever drew the conclusion we
24 were not going to get the information. Therefore, we filed
25 an appeal, and we're continuing down that road. But at some

1 point in time, when (b)(7)(C) notified us that he had an
2 arrangement with (b)(7)(C) and Entourage, then, at that
3 point, the decision was made not to continue down that road.
4 So we were -- that was our job. Once that job was over, we
5 were, in essence, off the payroll.

6 Q Please read the second paragraph of Exhibit 57 to
7 yourself.

8 A "As a result of ongoing defaults recurring under
9 the agreement, and as referenced in the letter previously
10 sent to you noticing CMKM of the default, CMKM no longer has
11 any rights to the claims or other assets as referenced in the
12 agreement."

13 Q What default is that referring to?

14 A I think the default was in the payment by CMKM for
15 drilling operations.

16 Q Have you seen -- first of all, a letter previously
17 sent to you, have you ever seen that letter?

18 A Yes. I did see a letter from some law firm up in
19 Canada.

20 Q What law firm?

21 A I don't know.

22 Q Was that law firm in regard to some litigation with
23 Royal Bank?

24 A No, no. This was a law firm that represented
25 (b)(7)(C).

1 Q Why was he having his law firm send a letter to
2 CMKM Diamonds?

3 A Well, because they were not paying the drilling
4 obligations under the terms of their agreement.

5 Q Why did CMKM decide to do the deal with Entourage
6 as opposed to some other company?

7 A Well, I think they had some relationship with
8 Entourage. Clearly, (b)(7)(C) knew (b)(7)(C), and Entourage
9 was up there already, from my understanding, doing mining,
10 drilling, and had people in place to take over the position
11 of CMKM.

12 Q What, exactly, was CMKM Diamonds' position in those
13 areas?

14 A "Position"? I don't understand the question.

15 Q Well, you said, "To take over CMKM Diamonds'
16 position." What do you mean by that?

17 A Position in terms of funding and drilling up in
18 Canada for kimberlite material.

19 Q Who drafted the actual documents in connection with
20 the Entourage deal?

21 A I believe it was a fellow by the name of -- an
22 attorney by the name of (b)(7)(C), I believe was the last
23 name.

24 Q Who is (b)(7)(C)?

25 A He is the attorney for Entourage.

1 Q When did you first see a copy of the documents?

2 A I don't recall. Fall of '05, clearly.

3 Q Did you see the documents before they were signed?

4 A Yes, I think so.

5 Q Did you review them?

6 A I looked at them.

7 Q What does that mean?

8 A Well, it means we were curious what was going on,
9 and we just took a look at them.

10 Q Did you make any comments on them?

11 A Yes, we did. I think there were some grammatical
12 errors or something in the agreement.

13 Q Mr. Stoecklein, I'm showing you a copy of what has
14 been marked as Government's Exhibit 58. Exhibit 58 is a two-
15 page document Bates-numbered 809 and 810. The heading on the
16 front of Exhibit 58 says, "Property Acquisitions from CMKM
17 Diamonds, Inc., and Other Parties." Do you recognize Exhibit
18 58?

19 (SEC Exhibit No. 58 was marked for
20 identification.)

21 A I think I've seen this document, yes.

22 Q Who created this document?

23 A I don't know.

24 Q Whose handwriting is on Exhibit 58?

25 A I don't know.

1 Q Is that (b)(7)(C) handwriting?

2 A It might be, but I don't know.

3 Q Exhibit 58 describes three -- is a closing document
4 list for three transactions. Do you recognize the names of
5 these transactions?

6 A I guess I don't understand what your question is.

7 Q Of course. I'm happy to clarify it. The three
8 transactions listed on Exhibit 58, the three transactions
9 between CMKM Diamonds and Entourage.

10 A You're talking about the Hatchet Lake Uranium
11 property, the White Swan Diamond property, and Forte Diamond
12 property?

13 Q That's right.

14 A So what is the question?

15 Q Are these the transactions between CMKM Diamonds
16 and Entourage?

17 A (Non-verbal response.)

18 Q We've talked about the Entourage deal.

19 A Yes. I don't know. I think so, but I don't know.

20 Q I'm sorry. I thought you said you reviewed the
21 documents before --

22 A We did. We looked at them.

23 Q Why don't you know whether these were the
24 transactions?

25 A Because we didn't have a real interest in trying to

1 understand the transaction.

2 Q Why not?

3 A It wasn't our job. We weren't being paid for it.

4 Q When was the last time you were paid by (b)(7)(C)

5 Casavant?

6 A I'm not really sure. Back in the summer of '05.

7 (SEC Exhibit No. 59 was marked for
8 identification.)

9 Q Mr. Stoecklein, I'm showing you a copy of what has
10 been marked as Government's Exhibit 59, and Exhibit 59 is a
11 copy of a Form 8K current report filing for CMKM Diamonds
12 filed -- it states the filing date as 10/24, 2005. It also
13 lists a filing date changed as October 21st, 2005. Do you
14 recognize Exhibit 59?

15 A I sure do.

16 Q What is Exhibit 59?

17 A That was an 8K noticing the Entourage agreement.

18 Q Who prepared this 8K filing?

19 A Myself and my office, my office, under my
20 direction.

21 Q Who reviewed this 8K before it was filed?

22 A I did.

23 Q Did anyone from CMKM Diamonds review it?

24 A I believe they did, yes.

25 Q Who from CMKM Diamonds reviewed it?

1 A Would have been Urban Casavant.

2 Q Does reviewing this 8K refresh your recollection as
3 to the agreements that CMKM Diamonds entered into?

4 A Well, it references what agreements were executed,
5 yes.

6 Q Is the 8K accurate, to the best of your
7 understanding?

8 A Yes.

9 Q What is United Carina Resources? I refer you to
10 the third page of Exhibit 59, which is page two of the 8K.

11 A That was a -- it was one of the agreements, I
12 think, that CMKM had in Canada for mining operations.

13 Q Do you know the names of any individual affiliated
14 with United Carina?

15 A No.

16 Q Have you ever spoken with anyone at United Carina?

17 A No.

18 Q I note that the 8K says: "The obligations of
19 Entourage are expressly subject to Entourage closing, on or
20 before October 28th, 2005, a minimum of \$1,050,000 in equity
21 financing."

22 Do you see that? I'm looking at page two of the
23 8K.

24 A Yes, I do see that.

25 Q Who was that equity financing going to be from?

1 A Well, it was money going to Entourage.

2 Q From whom?

3 A I don't know.

4 Q Did you ever ask anyone?

5 A No.

6 Q Was that from (b)(7)(C)?

7 A I doubt it.

8 Q Why do you doubt it?

9 A I don't think he had any obligations to put any
10 money into Entourage, at least in the discussions that I had
11 overheard.

12 Q Have you ever asked anyone who that equity
13 financing was with?

14 A No.

15 Q Has anyone ever told you?

16 A No.

17 Q Did it seem strange that that was a term of the
18 deal?

19 A No, it didn't, because I don't think Entourage
20 wanted to end up with the properties if they weren't going to
21 have some money to at least start -- or continue the drilling
22 process.

23 Q You said before that you understood there were 15
24 or 16 holes drilled in Canada. Is that correct?

25 A That was my understanding.

1 Q Other than that, are you aware of any activity in
2 Canada related to CMKM Diamonds?

3 A Well, they were spending some money on geologist
4 reports and what they called fly-overs and things like that.

5 Q Are you aware of any other on-the-ground activity?

6 A No.

7 Q Where were those 15 or 16 holes drilled?

8 A I don't know.

9 Q What is the Hatchet Lake area?

10 A I don't know. I don't have a clue where that is.

11 Q Do you know why that was worth 15,000,000 shares of
12 Entourage?

13 A No.

14 Q Under the Nevada Minerals agreement, it says that
15 CMKM Diamonds agreed to sell its 36-percent interest in
16 mineral claims it had with Nevada Minerals in the Forte
17 Diamond property?

18 A Yes.

19 Q What were those mineral claims?

20 A I'm not sure I understand that. What were the
21 mineral claims?

22 Q For what kind of minerals?

23 A I believe diamonds. That was my understanding.

24 Q When did you first learn that CMKM Diamonds had
25 entered into an agreement with Nevada Minerals?

1 A Probably during the course of our review of
2 documentation.

3 Q Did you ever ask (b)(7)(C) about it?

4 A Yes, I sure did.

5 Q What did he say?

6 A (b) had, as I recall, sold these interests to CMKM
7 for 75,000,000 or billion shares of stock in CMKM Diamonds.

8 Q What happened to that agreement?

9 A They ended up revising the agreement. (b)(7)(C)
10 gave back the stock. The stock ultimately was, I believe,
11 canceled, and he converted it into a promissory note.

12 Q For how much?

13 A I believe it was in the range of \$2,000,000.

14 Q What happened to that note?

15 A That note went away. It was canceled.

16 Q Why was that note canceled?

17 A It was an agreement between (b)(7)(C) and (b)
18 (b)(7)(C).

19 Q Did you see any documentation regarding that
20 cancellation?

21 A No, but I was in the discussion with (b)(7)(C) and
22 (b)(7)(C) when (b) canceled the note.

23 Q Why did (b) cancel the note?

24 A He knew it was uncollectible.

25 Q Did you ever have any conversations with (b)(7)(C)

1 (b)(7)(C) about that note?

2 A I was in discussions where (b)(7)(C) and (b)(7)(C) were
3 talking. Did I have discussions with (b)(7)(C) about it? No.

4 Q What did (b)(7)(C) say to (b)(7)(C) about it?

5 A You know, I don't recall specifically what he said
6 to him about it.

7 Q Do you remember generally what --

8 A He probably said, "Thank you."

9 Q Do you remember generally what he said?

10 A I think he was relieved that the note was going to
11 go away.

12 Q What did (b)(7)(C) say about the note?

13 A I don't recall.

14 Q Was the note with (b)(7)(C) or with CMKM
15 Diamonds?

16 A With CMKM.

17 Q What did (b)(7)(C) get in exchange for canceling
18 the note?

19 A I don't know that he got anything.

20 Q Why did Nevada Minerals need to consent to the
21 agreement between CMKM Diamonds and Entourage?

22 A I believe there was still an obligation running
23 between CMKM and Nevada Minerals.

24 Q What obligation?

25 A I don't know. There was an obligation.

1 Q Where would I go to look for that?

2 A Probably (b)(7)(C).

3 Q Have you ever asked anyone about that obligation?

4 A No.

5 Q Do you know the terms of that obligation?

6 A No.

7 Q If you look on the second page of Exhibit 59, it
8 says: "It is the intention of CMKM to distribute the shares
9 to be received from Entourage to its shareholders once a
10 proper method of distribution is decided upon."

11 It then goes on to list that: "(b)(7)(C)".

12 (b)(7)(C), and Mr. Stoecklein will coordinate the distribution
13 efforts."

14 Do you see that?

15 A Yes, I do.

16 Q Why did CMKM decide to distribute the Entourage
17 shares to its shareholders?

18 A Well, it was a management decision by (b)(7)(C)
19 (b)(7)(C).

20 Q Was anyone else involved in that decision?

21 A No.

22 Q Were the shareholders involved in that decision?

23 A No.

24 Q Was there ever any discussion that the shareholders
25 needed to vote on that decision?

1 A Yes.

2 Q Who had that discussion?

3 A Well, the question was, with (b)(7)(C), how he planned
4 to liquidate these securities and what his intentions were,
5 and he said they needed to be distributed to the
6 shareholders.

7 Q Did he say why?

8 A No.

9 Q Did you ask him why?

10 A No.

11 Q Has anyone ever articulated to you why CMKM
12 Diamonds decided to distribute the Entourage shares to its
13 shareholders?

14 A Only that (b)(7)(C) felt that the shareholders
15 should receive any distribution of assets that would come out
16 of this transaction.

17 Q Why?

18 A I think he felt obligated, on behalf of the
19 company, to the shareholders. They owned it.

20 Q Was there ever any discussion that there needed to
21 be a shareholder meeting or shareholder vote or some kind of
22 proxy vote regarding this issue?

23 A No, not between myself and (b)(7)(C).

24 Q Are you aware of any discussions between anyone
25 regarding that issue?

1 A No.

2 Q What rules are there requiring shareholder votes
3 regarding the distribution of major assets of a company?

4 A That isn't up to me. I'm not involved in that.

5 Q Who is?

6 A (b)(7)(C).

7 Q I'm sorry. I thought you said you were company
8 counsel at that time.

9 A No. I was securities counsel at that time to
10 obtain a reporting status for the company, not company
11 counsel.

12 Q Did you give --

13 A I've never been company counsel.

14 Q Did you give (b)(7)(C) any advice regarding
15 the distribution?

16 A No.

17 Q Did he ask you for any advice?

18 A Advice as to how they could be distributed.

19 Q Did (b)(7)(C) ever ask you whether or not the
20 shares could be distributed?

21 A Could be distributed? Yes, he did.

22 Q And what did you say?

23 A And we said we would have to determine how they
24 would be distributed.

25 Q Did (b)(7)(C) ever ask you what requirements

1 under Nevada law applied to the distribution, the wind-up and
2 distribution of assets of a company?

3 A Actually, that conversation occurred between myself
4 and (b)(7)(C) .

5 Q And who said what?

6 A We have not made a decision how that's going to
7 happen yet.

8 Q How what's going to happen?

9 A How that distribution will occur.

10 Q What are you considering?

11 A Well, let's look at the language. It says: "It is
12 the intention of CMKM to distribute the shares to be received
13 from Entourage to its stockholders," okay, "once a proper
14 method of distribution is decided upon."

15 I can tell you, from my standpoint, the proper
16 method of distribution has not occurred yet, because we don't
17 even know who the shareholders in the company are. Once
18 that's determined, the proper method will be decided.

19 Q Has there been any conversation regarding what the
20 proper method will be?

21 A Yes.

22 Q What have you suggested?

23 A We've suggested getting an opinion from the SEC,
24 asking for a ruling.

25 Q Who has made that suggestion?

1 A I made it. (b)(7)(C) agreed to it.

2 Q Have you discussed that with (b)(7)(C)?

3 A Yes.

4 Q What does (b)(7)(C) think?

5 A He agrees with it, and if the SEC denies our
6 request, the thought is to put it into federal court, and let
7 the court interplead the shares, and let the federal court
8 decide that distribution.

9 Q Why don't you just get a shareholder list from the
10 transfer agent?

11 A We don't believe that will give us the proper
12 number of shares outstanding.

13 Q Why is that?

14 A Well, we believe that there are electronic shares
15 that exceed the certificated shares from the transfer agent.

16 Q Why do you think that?

17 A Well, (b)(7)(C) has been doing an analysis on
18 it. We've obtained a NOBO/OBO list, actually a NOBO list,
19 and they're comparing that against the new current
20 shareholders list to make those decisions.

21 Q Have you seen any evidence that there are -- that
22 the transfer agent records are inaccurate?

23 A We had received some information that they were
24 inaccurate prior to summer of '05.

25 Q From whom?

1 A When we were doing the shareholder equity and
2 pulled the shareholder list, there appeared to be some double
3 prints of certificates. We didn't believe the electronic
4 format was proper because of the volumes of trading when the
5 certificates weren't coming back in to the transfer agent.

6 Q What does that mean? I don't understand that.

7 A Well, it means you have a major short in the
8 position in the company.

9 Q What evidence have you seen that there's a short in
10 the company's stock?

11 A I'm not handling that part of it. You'll have to
12 ask (b)(7)(C) those questions.

13 Q What part are you handling?

14 A I'm assisting in the distribution once those
15 decisions are made.

16 Q Who's making those decisions?

17 A It will be (b)(7)(C), and myself.

18 Q What role do you have in the task force at this
19 point?

20 A Making sure that the shareholder list is a proper
21 list for the Entourage shares, and any other assets at the
22 time be distributed properly.

23 Q Are there going to be any other assets?

24 A There may be.

25 Q What steps are you taking to look for assets?

1 A Well, if there is a major short, and those
2 positions have to be covered, a system has to be designed to
3 determine how those shorts will be covered.

4 Q Putting aside the naked short issue, are you aware
5 of any other assets for CMKM Diamonds besides, potentially,
6 that and the Entourage shares?

7 A No.

8 Q Do you think there will be any other assets?

9 A I don't think so.

10 Q Can you explain to me again, because I truly don't
11 understand, why you think there's a naked short position in
12 CMKM Diamonds stock?

13 A (b)(7)(C) has asked the shareholders -- and I
14 know you've taken his deposition, so you probably already
15 know the answer to the question.

16 Q Let me ask you -- I'm sorry. Go ahead.

17 A He has, to my knowledge, asked shareholders to give
18 him their transfer lists. To our understanding, the lists
19 appear to exceed the number of shares that are showing on
20 First Global's transfer agent list.

21 Q Do you have any reason to think that there is a
22 naked short selling position in CMKM Diamonds stock other
23 than information given you by (b)(7)(C) ?

24 A No.

25 Q Have you ever discussed with (b)(7)(C) whether

1 there's a naked short selling position?

2 A Absolutely.

3 Q What does he think?

4 A He thinks there's a significant short position.

5 Q And what is his basis for thinking that?

6 A There was an expert brought in from Oregon.

7 Q Who?

8 A Name slips me right now. And we spent one whole
9 Saturday just going through the analysis that he had done on
10 CMKM's position.

11 Q Do you have any notes from that meeting?

12 A No.

13 Q Do you have any -- did he give you any papers from
14 that meeting?

15 A I don't think so, but he basically laid everything
16 out for us.

17 Q Do you have any way of finding out what his name
18 is?

19 A Yes.

20 Q How?

21 A Probably call my office and find out.

22 Q That would be helpful, to get that information.

23 A Okay.

24 Q What evidence did he show you that there was a
25 naked short position in CMKM Diamonds?

1 A Well, I don't know that you can say it's evidence.
2 It's his analysis, and he pulled trading records, and his
3 determination was, frankly, rather significant when it
4 came -- if there is a short position, what he was saying --
5 and I'm not an expert on shorts, so I'm not going to sit here
6 and try to BS you, but his position was there was a 14-to-one
7 short position in the stock, which would mean, for every one
8 proper share out, you had 13 others that were not.

9 Q What trading records did he pull?

10 A I don't know.

11 Q Did he show you any records?

12 A He showed us his analysis. He didn't show us the
13 records.

14 Q Do you know what records you saw?

15 A No.

16 Q This is going to sound like an argumentative
17 question, and I don't mean it to be so, so my apologies in
18 advance, but why did you believe him?

19 A The man is very credible. He spent 25 years
20 chasing shorts. He is an expert assisting a law firm down in
21 Texas right now on a short position, and some major
22 litigation. So why would I believe KPMG that their audit is
23 good? They're an expert in what they do. It's the same
24 issue to me.

25 Q Why does CMKM Diamonds care about whether or not

1 there's a potential naked short position?

2 A I think it goes to the ownership of the company,
3 who are the true owners of the company.

4 Q Who are the true owners of the company?

5 A We don't know. We don't believe we can rely solely
6 on the transfer agent's records.

7 Q If there is a naked short position, assuming for
8 purposes of the question that there is, why does that make
9 the transfer agent records inaccurate?

10 A Because you would have electronic certificates out
11 there that were not showing up in her records.

12 Q What is an electronic certificate?

13 A An electronic certificate would be a certificate
14 held in DTC or held in seed company under the DTC.

15 Q Wouldn't there be a physical certificate to a seed-
16 in company?

17 A No.

18 Q Why not?

19 A No. There may be one certificate, but if somebody
20 borrows that certificate electronically, now you have another
21 certificate out there that's an electronic certificate. Once
22 that electronic certificate goes back into the system, it can
23 be borrowed against again. Now you have somebody borrowing
24 that certificate. It compounds itself.

25 Q Why does that make the transfer agent records

1 inaccurate?

2 A Well, their own records to the certificates that
3 were actually issued may be accurate, from a transfer agency
4 standpoint, but from a true ownership position of the
5 company, it may be inaccurate, because you have people such
6 as yourself, if you're out buying stock from your broker, and
7 they've bought -- they've sold you borrowed stock. That
8 stock may not show up on the transfer agent's list.

9 Q Assuming there are naked short fail-to-deliver
10 positions, are the people who bought those undeliverable
11 positions also shareholders of the company?

12 A We believe they are.

13 Q What is your basis for believing that?

14 A Because they have a valid certificate, being the
15 electronic certificate.

16 Q Have you discussed this with anyone from the SEC?

17 A Actually, no, we have not.

18 Q Have you discussed this with any other securities
19 lawyers?

20 A Yes, we have.

21 Q Who?

22 A Well, I've discussed it with a couple friends of
23 mine, and we've discussed it at one of the conferences, in
24 the general format. We've discussed it with (b)(7)(C)
25 from Gibson, Dunn and Crutcher in Washington.

1 Q Do you mean O'Melveny and Myers?

2 A I'm sorry. O'Melveny and Myers, yes. I had Gibson
3 on my mind.

4 Q So, if I understand what you're telling me, your
5 view is that, every time there is a stock borrow and a fail
6 to deliver, that increases the number of outstanding shares
7 of the company?

8 A That's correct.

9 Q Have you ever seen any support in the literature
10 for that position?

11 A I have not.

12 Q Have you looked?

13 A Yes.

14 Q Have you ever wondered why there's no support in
15 the literature for that position?

16 A Well, I have. I've been very suspicious about that
17 impact.

18 Q Is it --

19 A There is a lot of literature, by the way. I'm not
20 sure of the literature you're referring to. If you're
21 referring to something that the SEC would put out, clearly,
22 if you look at SHO, they obviously had some problems with
23 short positions when they drafted the regulation.

24 Q Is it your -- doesn't it seem strange to -- doesn't
25 it seem incorrect to you that the number of outstanding

1 shares of a company's stock could be impacted by market
2 activity unrelated to actions taken by the company?

3 A It seems very odd to me, yes, very odd.

4 Q Have you ever wondered if that's just -- forgive
5 me -- wrong?

6 A Well, maybe this will help make that determination,
7 when we throw it into federal court for the distribution.

8 Q Who has asked you -- who first told you that that
9 was how it worked?

10 A How what worked?

11 Q The number of outstanding shares depended on market
12 activity unrelated to company actions.

13 A I've got some significant material that has been
14 written, one of the pieces, by a gal that was hired by the
15 SEC from New Mexico. I believe her first name is (b)(7)(C). I
16 don't know the last name.

17 Q And did she write that?

18 A She wrote the article after she had been hired by
19 the SEC to demonstrate what it meant for these electronic
20 shares to be out there.

21 Q And did that article say that that increased the
22 actual number of outstanding shares?

23 A The implication in the article was yes. That's the
24 way I read the article.

25 Q Have you ever had any suspicions that that was just

1 an incorrect understanding?

2 A Well, I tend to rely on people that are
3 significantly more experts in a field than I am. I am not an
4 expert on shorts. And I believe, in this case, where you
5 have, you know, a substantial asset being distributed to
6 shareholders, it's very important that they be distributed to
7 the appropriate parties.

8 Q Have you ever --

9 A You know, are the shareholders of record in the
10 transfer agent list the appropriate parties? They may be. I
11 don't think that's a decision that these three individuals
12 can, on their own, make.

13 Q How are you going to -- have you consulted Nevada
14 state law to find out who are considered shareholders for
15 purposes of a distribution?

16 A Yes, we have.

17 Q And what did you find?

18 A We had a meeting with the Secretary of State for
19 the state of Nevada.

20 Q Who is that?

21 A Dean Heller.

22 Q You met with him himself?

23 A Yes.

24 Q When was that?

25 A I'm going to say it was before the hearing,

1 sometime before the hearing.

2 Q Before the administrative hearing?

3 A Yes.

4 Q Why did you meet with him then?

5 A Because that problem existed then.

6 Q I'm sorry. I thought the Entourage distribution
7 didn't come up until the fall of 2005.

8 A No. As you will recall, in the hearing, we
9 attempted to put information into that hearing dealing with
10 the short position. We questioned the transfer agent's list
11 at that time.

12 Q What did Dean Heller say?

13 A Dean Heller wasn't going to make a recommendation,
14 and he said the problem may be far greater than the state
15 wanted to get involved right at that point.

16 Q Who arranged the meeting with Mr. Heller?

17 A I'm not sure whether it was (b)(7)(C) or the board
18 at the time. (b)(7)(C) sat on the board.

19 Q Did (b)(7)(C) know Mr. Heller?

20 A (b)(7)(C) knows a lot of people.

21 Q Were you involved in setting up that meeting?

22 A I was not.

23 Q Who attended that meeting?

24 A (b)(7)(C), myself, (b)(7)(C). I'm not
25 sure who else was in the room at the time.

1 Q Are you aware of any relationship between Mr.
2 Heller and (b)(7)(C)?

3 A No.

4 Q Did Mr. Heller say anything else during this
5 meeting?

6 A No.

7 Q Have you taken any other steps to consult Nevada
8 law on who counts as a shareholder for purposes of a
9 distribution?

10 A No. We weren't even sure we were going to have
11 shares to distribute until a week ago.

12 Q Why is that?

13 A We didn't know we were going to get the Entourage
14 certificate.

15 Q Did you ever have any concerns about announcing the
16 distribution to shareholders before it was certain?

17 A We sure did. That's why we indicated, when we
18 received it, it is the intention -- the terms of the
19 agreement were to receive the certificate, and it was the
20 intention to distribute that to the shareholders.

21 Q I'd like you to turn to page three of the 8K. It
22 talks about a default between Nevada Minerals and CMKM
23 Diamonds regarding the American Shaft in Ecuador. Do you see
24 that?

25 A Yes.

1 Q What happened to the American Shaft in Ecuador?

2 A I don't know. We were told there was a default in
3 the agreement.

4 Q Who owns the American Shaft now?

5 A I don't know.

6 Q Does Nevada Minerals own it now?

7 A It might.

8 Q Have you asked anyone who owns it?

9 A No.

10 Q Have you discussed that with (b)(7)(C) ?

11 A We discussed the default with (b)(7)(C) .

12 Q What did he say?

13 A I don't recall the specific conversation, but we
14 were told there was a default in the agreement, and that CMKM
15 would no longer hold a position.

16 Q Who told you that?

17 A (b)(7)(C) and (b)(7)(C) .

18 Q When did he tell you that?

19 A Apparently near the term of this 8K.

20 Q So you were told that CMKM Diamonds would no longer
21 have a position in the American Shaft?

22 A Yes.

23 Q Did Nevada Minerals acquire the full interest to
24 the American Shaft?

25 A I don't know.

1 Q Did CMKM Diamonds give Nevada Minerals its interest
2 in the American Shaft?

3 A I don't know.

4 Q Who has drafted CMKM Diamonds' board resolutions
5 during the second half of 2005?

6 A I don't think there are any.

7 Q I'm showing you a copy of what has been marked as
8 Exhibit Number 60. Exhibit 60 is a one-page document
9 Bates-numbered 873. It says, "Resolution in Lieu of
10 Directors' Meeting," dated November 3rd, 2005. Do you
11 recognize Exhibit 60?

12 (SEC Exhibit No. 60 was marked for
13 identification.)

14 A Yes.

15 Q What is Exhibit 60?

16 A Appears to be a resolution in lieu of a directors'
17 meeting.

18 Q Who signed Exhibit 60?

19 A (b)(7)(C).

20 Q Who drafted Exhibit 60?

21 A I'm not sure who drafted it. I've seen it before,
22 though.

23 Q When did you see it?

24 A Probably right around the time of the resolution.

25 Q Was it prepared by your staff?

1 A Yes, I believe it was.

2 Q The third resolution at the bottom says: "Further
3 resolved, the corporation has given a full and final release
4 of any interest it may have in the American Shaft to Nevada
5 Minerals due to the continued default."

6 Do you see that?

7 A Yes.

8 Q Does that refresh your recollection as to what
9 happened to CMKM Diamonds' interest in the American Shaft?

10 A No, it does not.

11 Q Why not?

12 A Because I don't know where that interest would lie
13 right now.

14 Q Why is that?

15 A This resolution was prepared by my staff for --
16 under my direction -- as a result of these items that went
17 on, but it doesn't mean we were involved in the default,
18 where the asset would go after the default. We wouldn't
19 necessarily have any knowledge of that. If the company
20 wanted a resolution that said, "This is what's occurred," we
21 would draft the resolution.

22 Q Who instructed you or your staff to draft this
23 resolution?

24 A I believe (b)(7)(C) would have -- he would be
25 the only one.

1 Q Who provided you with the signed copy of the
2 resolution?

3 A (b)(7)(C).

4 Q Do you have any reason to doubt the accuracy of
5 this resolution?

6 A No, I don't.

7 Q Then why do you think -- then why do you have
8 doubts whether or not CMKM Diamonds gave its full and final
9 interest in the American Shaft to Nevada Minerals?

10 A Well, it says the corporation has given a full and
11 final release to any interest.

12 Q Yes.

13 A Okay? It is what it is. Whatever this says, (b)(7)(C)
14 (b)(7)(C) is making that statement on behalf of the board of
15 CMKM. Now, why would I need to have any additional
16 information? What are you suggesting I should have?

17 Q I'm asking if you -- if this is an accurate
18 statement.

19 A I assume it is. He signed the board resolution.
20 He asked for the preparation of the board resolution.

21 Q When did he ask you to prepare this board
22 resolution?

23 A I don't recall.

24 Q Have you ever discussed the American Shaft with (b)(7)(C)
25 (b)(7)(C)?

1 A Absolutely.

2 Q Has (b)(7)(C) communicated to you that he or Nevada
3 Minerals controls the American Shaft?

4 A I don't know about controls. What do you mean by
5 "controls"?

6 Q That he owns it.

7 A The discussions I've had with (b)(7)(C) over the American
8 Shaft have led me to believe that (b)(7)(C) had a significant
9 interest in the American Shaft. It has not led me to believe
10 that he owned it. This leads me to believe he owns it.

11 Q What has (b)(7)(C) told you about his interest in
12 the American Shaft?

13 A Well, (b)(7)(C) operates -- is an operator for
14 CMKM Diamonds on the American Shaft. He has had an agreement
15 with them.

16 Q Turning back to page three of Exhibit 59, it
17 indicates that (b)(7)(C) resigned as director of the company.
18 Do you see that?

19 A No.

20 Q The bottom of page three of Exhibit 59, page three
21 of five. It's actually, I think, the fourth sheet of paper,
22 at the bottom there.

23 A Yes.

24 Q Why did (b)(7)(C) resign?

25 A (b)(7)(C) was brought in by (b)(7)(C) to the

1 company as a director to assist him in compliance. It became
2 apparent at or around that time that that was no longer a
3 direction the company was going to take, and (b)(7)(C) wanted
4 to get off the board.

5 Q Why?

6 A It wasn't needed any longer. His job was over.

7 Q He's still serving on the task force, isn't he?

8 A That's correct.

9 Q So why did he resign from the board?

10 A There's a different obligation under the task force
11 than there was under the directorship of the company.

12 Q What is the obligation of a task force member?

13 A The obligation of the task force is to make sure
14 that at least the 45,000,000 shares of Entourage stock end up
15 in the right hands.

16 Q Who do the task force members owe that obligation
17 to?

18 A Shareholders of CMKM.

19 Q Do you believe the task force members have a
20 fiduciary to the shareholders of CMKM?

21 A Yes.

22 Q What are the next steps for the task force, now
23 that it's received the shares of Entourage?

24 A Now that we've received the shares, we're going to
25 ask for a letter ruling from the Commission to see how these

1 shares should be distributed, in conjunction with Nevada law.

2 Q When do you anticipate submitting that?

3 A When I get time to write the letter.

4 Q Who are you going to submit that to, specifically?

5 A Probably Chief Counsel's Office.

6 BY (b)(7)(C):

7 Q How did the task force come into being?

8 A That's a good question. When (b)(7)(C), on
9 behalf of the company, entered the agreement with Entourage,
10 he knew there were going to be some assets available for the
11 shareholders. Consistently, there's a lot of rumor out there
12 that (b)(7)(C) has taken advantage of this company. Whether he
13 has or has not we don't know. The position of (b)(7)(C)
14 was, and always has been in all my discussions with him, has
15 been "We need to take care of the shareholders. That's who
16 owns this company."

17 Our concern was, one, making sure that whatever
18 list is used is the appropriate list to determine who those
19 shareholders are, and it's pretty apparent, in discussions
20 we've had with experts, or so-called experts, pretty apparent
21 with (b)(7)(C) that he's come up with a -- he thinks a
22 major short position, and he's spent more time than anybody
23 trying to make that decision.

24 So the conclusion was, why don't we form a small
25 group, get together, and do whatever is necessary to make

1 that decision, which obviously wasn't going to be just the
2 three of us saying, "Well, let's just go ahead and take the
3 transfer agent's list and distribute it to those people."

4 Q Why not?

5 A We think it's inaccurate. We think it's
6 inaccurate, one, because there may be shares that were
7 double-printed. We have some, at least, suspicion of that.

8 BY MS. HAKALA:

9 Q What suspicion?

10 A Well, when we went in and obtained some of the
11 shareholder records when we were doing the shareholder equity
12 reports that we were going to use, ultimately, when compiling
13 the financial statements, there was some kind of inconsistent
14 certificates, I think, that were looked at, that just looked
15 strange. That was one thing. That wasn't the major issue,
16 though. The major issue is -- okay. Maybe there's some
17 issues there, but the major issue became the short position,
18 when we had this fellow, Jim -- Jim DaCosta, by the way, is
19 his name.

20 Q That you were referring to before, from Oregon?

21 A Yes. When Jim came in and met with us, you know,
22 this guy's spent 25 years on a very specific subject matter
23 that, frankly, takes some expertise, and he explained the
24 whole process, and he alluded to it that it was, in his mind,
25 almost criminal that this kind of activity could go on. Now,

1 does that take it from being stock that's taken away from
2 legitimate shareholders?

3 We don't know, but guess what? The Commission is
4 either going to have to step in and help us make a decision,
5 which we think is unlikely, or at least I do, or we put it
6 into federal court, implead the certificates, and let them
7 make the decision, more or less a declaratory relief type
8 action. So it's not the three task force. It's just us,
9 organized to make sure whatever is correct, the appropriate
10 way, gets done according to Nevada law and according to the
11 SEC regs.

12 BY MR. SPRUNG:

13 Q Who made the decision to form the task force?

14 A Urban Casavant asked if the three of us would
15 handle that distribution for the company.

16 Q How did that come about?

17 A He just asked the question. We were in a meeting
18 with Bill Frizzell and Bob Maheu and myself.

19 BY MS. HAKALA:

20 Q Had that been discussed before that meeting?

21 A Well, I asked Urban how he was going to do the
22 distribution. He's the sole director and officer of the
23 company. How was that going to happen? You're going to have
24 a shareholder meeting? Clearly, we knew we couldn't have a
25 shareholder meeting as long as we had an appeal going,

1 because we couldn't file a proxy statement.

2 Q Why not?

3 A Well, in our opinion, we'd never get that proxy
4 through. During the time period, we have a lack of reports
5 going back for three years. We just didn't think the
6 Commission would approve the proxy.

7 Q You said (b)(7)(C) was the sole director at that
8 time, but wasn't (b)(7)(C) also a director?

9 A Well, yes, he was at that time. You're right. He
10 was the sole officer. So you're correct.

11 Q What was (b)(7)(C) -- how was (b)(7)(C), as
12 director, involved in the Entourage deal?

13 A He wasn't at all.

14 Q Was it --

15 A He didn't know about the Entourage deal.

16 Q When did he find out about it?

17 A Pretty close to when he resigned.

18 Q What did he think about the Entourage deal?

19 A He knew there was a transaction in the mix, and he
20 knew, if that transaction occurred, we were going to -- there
21 wasn't any point in going through the reporting process, and
22 I believe it was pretty much the same time.

23 Q Didn't it seem curious to you that a director of
24 the company would be unaware of a deal to sell all of the
25 company's assets?

1 A No, because it occurred over a short period of
2 time, with (b)(7)(C) dealing directly with (b)(7)(C).

3 Q I'm sorry. I thought you said that they started
4 talking -- that CMKM Diamonds started discussing this deal
5 with Entourage over the summer?

6 A No. I said they had discussions over the summer.
7 I don't know if they were discussing this particular
8 transaction.

9 Q Did (b)(7)(C) ever consult with (b)(7)(C)
10 about the transaction before it was finalized?

11 A He might have.

12 Q Are you aware of any such contacts?

13 A No, I am not, and I was in all the meetings.

14 Q So, when you say he "might have," what's your basis
15 for thinking he might have?

16 A Well, he might have. May have been a telephone
17 call or something, which would be unlikely.

18 Q Is (b)(7)(C) in full possession of his mental
19 faculties at his advanced age?

20 A I believe so. Maybe not after hitting his head the
21 other day.

22 BY (b)(7)(C):

23 Q I'm just going to go back. We were talking about
24 the formation of the task force. You said there was a
25 meeting at which (b)(7)(C) asked you and (b)(7)(C) and

1 (b)(7)(C) to take on that role. What was the purpose of
2 that meeting? Why were you meeting on that occasion?

3 A I'm not sure when that meeting occurred, but it
4 would have been around the time that the Entourage
5 transaction was entered into, and so the purpose would have
6 been specifically to decide what's going to happen to the
7 company now.

8 Q Meaning CMKM?

9 A Yes.

10 BY (b)(7)(C):

11 Q Why did (b)(7)(C) attend that meeting?

12 A (b)(7)(C) has shown a continuous concern for the
13 shareholders. He represented to us that he represented a
14 group of over 10,000 shareholders.

15 Q Ten thousand?

16 A Ten thousand.

17 Q Do you have any documentation from him of that?

18 A No, but he's received checks from a large number,
19 and then he has another number of shareholders that have
20 submitted information to him. So whether he represents them
21 or whether he's in direct contact with them to us is the
22 same. He has a group of shareholders that respond to him.

23 That being the case, during the hearing, after the
24 hearing, I had a number of conversations with (b)(7)(C), to go
25 over issues pertaining to CMKM and what his concerns were.

1 (b)(7)(C) was unaware of the Entourage transaction when he came
2 out to Las Vegas, and we sat him down and had a discussion,
3 and said, "(b)(7)(C)", this is what's happened." Now, some
4 decision has to be made about the assets of the company. It
5 was at that the task force was created.

6 BY (b)(7)(C):

7 Q Can I ask, in your mind, do the best you can to
8 give us an estimate of when that meeting was, even only as a
9 month?

10 A Well, it clearly, to me, would have been towards --
11 after the end of October, maybe going to early November. We
12 have this board resolution here dated November 3.

13 BY (b)(7)(C):

14 Q (b)(7)(C) (sic), could you look at page four of
15 Exhibit 59 -- page five of Exhibit 59, page four of five of
16 the Form 8K.

17 A Okay. Yes.

18 Q Do you see, under item 8.01, "Other Events"?

19 A Yes.

20 Q Does that refresh your recollection?

21 A Yes. It would have been, then, after October 20th,
22 and before October 21st. So it would be on one of those two
23 dates.

24 Q Are there any formal papers appointing the task
25 force?

1 A No.

2 Q Why not?

3 A We weren't really sure, frankly, what this task
4 force should be, what it should do. Right now it's an
5 informal -- three people that (b)(7)(C) has asked to
6 assist in complying with the desire of the board of directors
7 of CMKM.

8 Q Are there any -- is there any documentation of the
9 task force's efforts?

10 A No. Well, when you say "efforts" --

11 Q Are there any documents you've seen related to the
12 task force, documenting task force meetings, correspondence
13 of the task force?

14 A No, and you probably won't.

15 Q Why not?

16 A Well, it's pretty obvious, every time there's a
17 piece of paper that's generated, it ends up in this office.
18 So what would be the point of generating something that we
19 always had concern would end up out on a web site someplace
20 as part of that discussion?

21 The other thing is we don't really have a handle on
22 this whole concept of the short position. (b)(7)(C) has been
23 working on that, and there's enough speculation out in this
24 company, with 60,000 shareholders, that you don't need to
25 generate a liability that shouldn't exist.

1 If we put something specific into writing, and
2 we're wrong, that's a liability, as opposed to the three of
3 us get together and say, "Okay. Now that we have the
4 45,000,000 shares, by the way" -- and there's only been one
5 discussion since that's happened, with (b)(7)
(C), because we were
6 waiting on that. Now that that's happened, decisions can be
7 made as to a letter ruling from the Commission, can be made
8 in terms of hiring counsel to file an impleader action in the
9 federal courts. All that has to happen now.

10 Q Who's paying for the task force?

11 A (b)(7)(C) has so far funded money into the task
12 force.

13 Q Who has he paid?

14 A We received a check for \$15,000 that we forwarded
15 13,000 to (b)(7)(C). Two thousand was left to cover a
16 press release that recently went out, and an initial press
17 release, and then I believe (b)(7)(C) received \$40,000 to
18 handle his staff that is handling the electronic gathering,
19 if you will, of all this information.

20 Q When did he receive that?

21 A Last couple of weeks.

22 Q Have you been paid anything for your work on the
23 task force?

24 A We received the initial \$15,000. We spent money --
25 we have not received money for ourselves. That money went

1 through our account, 15 to (b)(7), and the 2,000 that's left,
2 we've spent the money on the two press releases, and I don't
3 think we've spent any more of that balance.

4 Q Has (b)(7)(C) been paid anything for his work on
5 the task force?

6 A (b)(7)(C) hasn't received a check in several
7 months.

8 Q I understand, but has he received any kind of
9 compensation for his work on the task force?

10 A No, no.

11 Q Does he anticipate receiving any compensation for
12 his work on the task force?

13 A We don't know.

14 Q What kind of compensation might he receive?

15 A Well, if there ended up being a major short
16 position, and they had to buy in under some program that got
17 created, then cash would be available to compensate whoever
18 put a bill in. We are tracking our -- trying to keep track
19 of our time, and we may be able to bill something. We
20 clearly set up a program where, within the three of us,
21 nobody would receive any of the stock that was being
22 distributed.

23 Q When you say you "clearly set up a program" --

24 A Well, between the three of us. We've set -- nobody
25 will receive any of that stock to compensate their time.

