

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

IN RE: *
*
MACHNE MENACHEM, INC. * CASE NO. 5-01-04926
*
Debtor-in-Possession * CHAPTER 11
-----X

YAAKOV SPRITZER

THURSDAY, MAY 29, 2003

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KINGSTON, PENNSYLVANIA

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A P P E A R A N C E S:

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S T I P U L A T I O N

It was stipulated and agreed by and between counsel for the respective parties that all objections, except as to the form of the question, be reserved until the time of trial.

I N D E X

Examination by Mrs. Santora 3

E X H I B I T S

<u>Spritzer</u> <u>Exhibit No.</u>	<u>Description</u>	<u>Marked</u>
1	Production of documents	5
2	Schedule	6
3	Checks & receipts	8
4	Handwritten notes	10
5	EAB	18
6	Adding machine tape	18
7	Adding machine tape	18
8	Vaad L'Hafotzas statement	18
-9	EAB certification	18
10	Adding machine tape	18
11	9/11/98 letter	18
12	10/23/98 letter	18
13	1995 tax return	18
14	1996 tax return	31
15	1997 tax return	55
16	1998 tax return	64
17	Schedule A tax form	69
18	1999 tax return	74
19	Mortgage	86

1 Y A A K O V S P R I T Z E R
2 IS CALLED, AND HAVING DULY AFFIRMED, WAS EXAMINED
3 AND TESTIFIED AS FOLLOWS:

4
5 EXAMINATION BY MR. SANTORA:

6 Q. Good afternoon, Mr. Spritzer. Thank
7 you for your perseverance in getting here today.
8 I understand you had a bit of a problem.

9 As you know, my name is Ron Santora,
10 and I'm here to take your deposition. I know you
11 have given a deposition before, but just let me
12 give you some general instructions for today.

13 As you know, everything I say and
14 everything you respond is being taken down by the
15 court reporter under oath. Because of that, if
16 you could wait until I finish my question before
17 you start your answer, and hopefully I'll extend
18 the same courtesy before I start the next
19 question, and we'll have a back and forth record
20 that will be easy to read.

21 Secondly, because everything is
22 being transcribed, you need to give a verbal
23 response and not just a shake or nod of the head.
24 We're going to be here for about three hours, so
25 because of that, if at any time you need a break,

1 let me know. I'll certainly accommodate you. If
2 you need to speak to Mr. Kelley, let me know, and
3 I will accommodate you as well.

4 If at any time you don't hear or
5 understand my question or for any reason you want
6 me to repeat it or rephrase it, let me know and I
7 will do that, because if you don't and you answer
8 my question, I'll assume you heard it, you
9 understood it, and you intended your answers. Do
10 you understand those instructions?

11 A. Yes.

12 Q. Do you have any comments or
13 questions about any of them?

14 A. No.

15 Q. Are you under any medication today
16 which would in any way impact your ability to
17 answer me?

18 A. No.

19 Q. For the record, your full name and
20 your current address?

21 A. Yaakov Spritzer, Y-A-A-K-O-V,
22 S-P-R-I-T-Z-E-R, 530 Montgomery Street, Brooklyn,
23 New York.

24 Q. And, Mr. Spritzer, thank you for
25 your accommodation already. Because the reporter

1 is not as familiar with a lot of the names that
2 you'll be using or some of the words, I appreciate
3 your indulgence in spelling them out for her.

4 We're here today to take your
5 deposition concerning the claim that you have
6 asserted against Machne Menachem, Inc. What I'm
7 going to be doing is asking you a series of
8 questions about the claim and generally about how
9 that claim came about and to a lesser extent about
10 your involvement with Machne Menachem.

11 In response to -- let me start at
12 the beginning here. I show you what I will mark
13 as Spritzer Exhibit No. 1.

14 (At this time Spritzer Exhibit No.

15 1 was marked for identification.)

16 BY MR. SANTORA:

17 Q. And this is a request for production
18 of documents that I served on Mr. Kelley prior to
19 today's deposition. You've seen that before, have
20 you not?

21 A. Probably, yeah.

22 Q. Or at least the content of the
23 information that was requested I'm sure Mr. Kelley
24 discussed with you.

25 A. Are you talking about for this

1 deposition?

2 Q. Yes.

3 A. Yes.

4 Q. You were requested generally --
5 without reading through each and everyone, you
6 were requested to produce documentation that
7 related to or evidence any claims that you have
8 asserted against Machne Menachem.

9 A. Right.

10 Q. And in response to that, you have
11 produced -- prior to today you have produced a
12 packet that I have given you, which we'll run
13 through, and in addition, today you have provided
14 me with additional copies, which we'll identify.

15 But first looking at what was
16 produced yesterday, the first page appears to be a
17 summary consisting of five pages, a schedule
18 commencing in 1995 and going through to 2001.

19 MR. KELLEY: Are you going to call
20 that Exhibit 2?

21 MR. SANTORA: Why don't we call that
22 Spritzer Exhibit 2.

23 (At this time Spritzer Exhibit No.
24 2 was marked for identification.)

25 BY MR. SANTORA:

1 A. The first page is a duplicate.
 2 Q. I noticed that, but that's the way
 3 it was given so that's why I produced it. The
 4 first page has handwriting on it. The second
 5 page, which is the same as the first, does not
 6 have the handwriting, so I kept it that way. Are
 7 you familiar with Exhibit 2?
 8 A. Sure.
 9 Q. What is that?
 10 A. This is a summary of all the monies
 11 I advanced to Machne Menachem and --
 12 Q. And who prepared Exhibit 2?
 13 A. I did.
 14 Q. Do you know when it was prepared?
 15 A. Oh, it was an ongoing preparation.
 16 As the years were going by, I kept on adding to
 17 it.
 18 Q. Because the last entry on the last
 19 page is or the next to the last page is December
 20 6th of 2001, can I presume the last time you would
 21 have added onto it would have been around that
 22 time?
 23 A. Right.
 24 Q. Now, the very first entry on Page 1
 25 is May 12th of 1995. Do you know whether or not

1 (At this time Spritzer Exhibit No.
 2 3 was marked for identification.)
 3 BY MR. SANTORA:
 4 Q. Begins with a copy of check number
 5 851 and ends with what appears to be a ledger
 6 sheet, a handwritten ledger sheet?
 7 A. Right.
 8 Q. Do you know what these documents
 9 represent?
 10 A. Yeah, everything else behind the
 11 original sheets are the supporting documents for
 12 the items listed in Exhibit 2 you call it?
 13 Q. Yes.
 14 A. In Exhibit 2. So, if you would look
 15 at the check 851 and you would look at Page 1,
 16 you would see line 2 says 3305 to NYSEG, and here
 17 is the copy of the front and the back of that
 18 check.
 19 The next page is check number 836,
 20 and that would be line one of the summary, and
 21 that would be a copy of the front and back of that
 22 check. The next item is \$1,500 and that would be
 23 line four of the summary Page 1.
 24 This is a very systematic summary of
 25 documentation of all the items you have listed in

1 you commenced keeping this schedule around that
 2 time or was it sometime after?
 3 A. I'm not sure when I started.
 4 Q. Was this exhibit prepared within the
 5 last year?
 6 A. No, a number of years ago.
 7 Q. To the best of your information and
 8 knowledge, does Exhibit 2 represent all of the
 9 what I'll call advances or loans that you've made
 10 personally to Machne Menachem?
 11 A. To my knowledge, the ones that I
 12 felt I should document, are represented in this.
 13 If there is something I left out and I'm not aware
 14 of it, I don't know, but this is what I think is
 15 the list.
 16 Q. You intended to give me, to the best
 17 of your knowledge, a full list?
 18 A. Yes.
 19 Q. And as you sit here today, you
 20 believe this is a full list?
 21 A. Sure.
 22 Q. The next packet -- and I've kept
 23 these stapled or paper clipped the same way they
 24 were delivered to me -- begins with -- and we'll
 25 mark this Spritzer No. 3.

1 the summary.
 2 Q. Okay. And if we go to the next
 3 packet, which begins with a handwritten note or
 4 handwritten page that has \$210 that is written
 5 sideways, and we'll call this Spritzer 4 --
 6 (At this time Spritzer Exhibit No.
 7 4 was marked for identification.)
 8 BY MR. SANTORA:
 9 A. And if you look on July 10th of the
 10 first page, you would see \$210. This is the
 11 invoice for it. \$205 would be -- would be the
 12 line above that \$200.
 13 Q. Mr. Spritzer, was there any rhyme or
 14 reason as to how they were separated by paper
 15 clips and sections?
 16 A. No, I don't think so. I don't know
 17 who made the separations. This is just -- this
 18 should be pretty much -- it should be in
 19 chronological order of what is going on on these
 20 summary pages.
 21 Q. All right. Fair enough. To the
 22 best of your knowledge, to the extent that there
 23 still exists, any supporting documentation to
 24 reflect what is in Exhibit 2, you have produced
 25 that through this packet?

1 A. Yeah, I think everything is here.
2 Should you have any questions about any particular
3 supporting document, I'll be glad to answer it.
4 Should you indicate to me that an item listed in
5 the summary page is not evidenced in the
6 supporting documents, I'll be more than glad to
7 see why it's not here and get you a copy if it's
8 not here, but my understanding is that everything
9 is here.

10 Q. And in addition, you have produced
11 some documents for me today, which we'll identify
12 later, which supplement what was produced
13 yesterday?

14 A. Yeah, these are additional
15 documents. This has nothing to do with my loans.

16 MR. SANTORA: Let the record reflect

17 Mr. Yosef Goldman is now joining us.

18 BY MR. SANTORA:

19 A. These have nothing to do with the
20 supporting documentation for my personal loans.

21 Q. What do the additional documents --

22 A. Well, show me which ones.

23 Q. The first one is a check -- let me
24 save that for later. With respect to your
25 personal loans then, the first packet that was

1 produced yesterday that you have in front of you
2 represents all of the supporting documents, to the
3 best of your knowledge?

4 A. Yes.

5 Q. Mr. Spritzer, let me then get some
6 background information from you. Can you
7 summarize for me your educational background
8 starting with high school?

9 A. I finished high school then I went
10 on to rabbinical school. I stayed in rabbinical
11 school until I was 24, and when I got married,
12 actually 25, and I went on to study for a half a
13 day after I got married for about a year and that
14 was up until I was 26.

15 Q. Any other formal education besides
16 that?

17 A. I mean that was all day. No time to
18 do anything else.

19 Q. Well, since then.

20 A. No.

21 Q. By whom are you currently employed
22 or how are you currently employed?

23 A. I have a company called A-One
24 Merchandising and that is my main occupation.

25 Q. And what is A-One Merchandising?

1 A. It's a distributor of household
2 products.

3 Q. And what is your position with
4 A-One?

5 A. I am the soul owner.

6 Q. Is that a corporation?

7 A. Yes.

8 Q. So, you're the sole shareholder?

9 A. Yes. I don't know if I'm the sole
10 shareholder, but I'm the president.

11 Q. Are you the majority shareholder at
12 least?

13 A. I don't know exactly how the shares
14 work in that corporation.

15 Q. Are you member of the board of
16 directors?

17 A. Yes.

18 Q. Are there any other members of the
19 board of directors of A-One?

20 A. No.

21 Q. You're the president, the sole
22 director and a shareholder. You're not sure how
23 the shares work.

24 A. Yeah, I'm not familiar. I think I'm
25 the only shareholder, but I wouldn't say that for

1 sure.

2 Q. Do you attend any annual
3 shareholders meetings for A-One?

4 A. No.

5 Q. With respect to yourself being the
6 sole director, how did you become the sole
7 director?

8 A. I started the business. I started
9 the business. I made the corporation. I put the
10 money in. The same way that I did Machne
11 Menachem.

12 Q. So, with respect to whether or not
13 you are the sole shareholder or not, as far as you
14 are concerned, you control sufficient shares to
15 run the company as you see fit?

16 A. I actually control the operation.

17 Q. And legally you believe you have the
18 right to do that?

19 A. Sure.

20 Q. Would it be fair to say A-One
21 Merchandising is your full-time employment?

22 A. My main one.

23 Q. Are you employed by any other
24 entity?

25 A. As an employee?

1 Q. Yes.

2 A. No.

3 Q. How long have you been associated
4 with A-One Merchandising?

5 A. Since 1980.

6 Q. Is that when the company was formed?

7 A. Yes.

8 Q. In 1995, I understand Machne
9 Menachem, a New York non-profit corporation, was
10 formed. Did you participate in that?

11 A. Sure.

12 Q. And tell me about what your
13 participation was.

14 A. There were a group of kids around
15 the age of 15 that I felt had a gap in the camping
16 that was serving the neighborhood, and we were
17 looking -- I was particularly looking to see what
18 we could do to accommodate it. I spoke to a
19 number of people about doing it.

20 Someone told me that Goldman had ten
21 years before that for one summer been involved in
22 something with the school, so I met with him. He
23 later introduced Hershkop and Heber, and they had
24 a meeting at my house, and we decided we were
25 going to do it.

1 I said I was going to do it. They
2 were going to do it as well. They decided to join
3 up with me, and we'd do it. They had a meeting at
4 my house, and they decided to join up with my
5 effort, and we opened the camp.

6 Q. I'm not going to get into the
7 specifics of the incorporation. There's been
8 enough testimony about that in enough Courts.
9 There is enough records established for that, but
10 with respect to, and as it relates to your claim
11 that you have asserted against the corporation,
12 when the corporation was first formed, was there
13 any discussion among the four original directors,
14 yourself, Mr. Hershkop, Mr. Goldman, Mr. Heber, as
15 to contributions to the Debtor?

16 A. Contributions?

17 Q. Financial contributions.

18 A. We were discussing deficits not
19 contributions, and we were going to figure out
20 where the money was going to come from. There was
21 some commitments that outside funds were going to
22 be raised in order to help cover some of these
23 deficits, but exact conversations about where
24 contributions were going to come from were never
25 had.

1 Q. The first -- as I understand, the
2 first year of operation for the camp would have
3 been the summer of 1995?

4 A. Correct.

5 Q. And who were the principals involved
6 with that first year's operations?

7 A. Four people, Hershkop, Mendel
8 Hershkop, Heber, Goldman and Spritzer.

9 Q. That first year what source of
10 income did the camp have?

11 A. Just the tuition and the summer
12 feeding program.

13 Q. Mr. Spritzer, I'm going to show you
14 what I'm marking as -- so the record is clean, I'm
15 going to mark, Gene, as Exhibit 5 the next packet
16 entitled EAB produced by Mr. Spritzer. I'm going
17 to mark as No. 6 the next packet, which begins
18 with an adding machine tape. That will be No. 6.

19 The next document is also an adding
20 machine tape. This one starts -- the first entry
21 is 1,800. That will be Spritzer 7. The next
22 packet begins with a statement from the Vaad
23 L'Hafotzas. We'll make that Spritzer 8.

24 The next packet begins with an EAB
25 certification for A-One Merchandise from January

1 21st, 1997. We'll make that Spritzer 9. The next
2 packet begins with an adding machine tape
3 beginning with 135 and ending with 440.07. We'll
4 make that Spritzer 10.

5 The next document is Spritzer 11,
6 which is a September 11, 1998 Wayne Bank letter,
7 and the last is an October 23rd, '98 letter from
8 Wayne Bank. We'll make that Spritzer 12.

9 (At this time Spritzer Exhibit Nos.
10 5 through 12 were marked for
11 identification.)

12 BY MR. SANTORA:

13 Q. So, having said all of that, Mr.
14 Spritzer, I'll show what you I'll mark as Spritzer
15 13.

16 (At this time Spritzer Exhibit No.
17 13 was marked for identification.)

18 BY MR. SANTORA:

19 Q. Which is the Machne Menachem Form
20 990 tax return for 1995. You have obviously seen
21 that before, have you not?

22 A. Yes.

23 Q. We were talking about the sources of
24 income for the camp for 1995. If you look at Page
25 1 of this exhibit, part one item 1-A it shows

1 direct public support of \$33,083. Do you know
2 what revenue direct public support represented?

3 A. No.

4 Q. Item C of 1 says government
5 contributions, grants \$73,209. Is that the
6 feeding or the lunch program that you referred to?

7 A. That could be the second. The first
8 one 33 doesn't make sense to me.

9 Q. The item number two of part one,
10 program service revenue of \$169,809 would that be
11 the revenue from the tuition?

12 A. Yeah, could be that, yeah.

13 Q. So, we got the government lunch
14 money of 73,000. We have what we presume is the
15 tuition funds of 169. Direct public support
16 underneath the heading contributions, gifts,
17 grants, could that be donations other than from
18 the government lunch program or from direct
19 tuition charges?

20 A. You know, the 73 and the 33 add up
21 to 106.

22 Q. Right, but the 106 is just a
23 subtotal. That's line D of 1-A, 1-B and 1-C.

24 A. Correct.

25 Q. So that is under total

1 contributions, gifts or grants?

2 A. 169 could be tuition.

3 Q. So we have tuition, we have the
4 government subsidy or lunch program funds, and
5 then we have outside -- what I'll call outside
6 meaning non-government and non-tuition donations
7 of 33?

8 A. Right.

9 Q. Do those three categories represent
10 the total source of revenue for the Debtor for
11 1995, as best as you can recall?

12 A. Yes.

13 Q. So, if I add up those three numbers
14 -- and fortunately I don't have to because the
15 return does it for me -- on line 12 it says total
16 revenue for '95 was \$276,101?

17 A. That should be right.

18 Q. Now, if we -- down below that
19 starting, again looking at Exhibit 13 the '95 tax
20 return, below that figure I just read for revenue
21 on line item 13 under -- this is the expense
22 category -- it says program services \$339,590, and
23 attached there is an itemization of that on the
24 next page.

25 Does that represent the expenses

1 incurred in the operations of the camp for that
2 year?

3 A. It appears so.

4 Q. And, therefore, if we deduct those
5 expenses from the total revenue from all sources
6 for '95, we had a deficit of 63,489?

7 A. Yes.

8 Q. As I understand the source of your
9 claim, as you have either testified to or claimed
10 in other proceedings, your claim represents the
11 monies that you contributed to the camp over the
12 years either as a cash advance or a loan?

13 A. Or merchandise.

14 Q. Or merchandise that you provided
15 personally?

16 A. Provided or purchased.

17 Q. Okay. What determined or when was
18 it determined as to when you would make these
19 loans or contribute cash or purchase merchandise
20 on behalf of the camp?

21 A. This was ongoing throughout the
22 summer. For instance, Mr. Goldman was with me
23 when I gave the \$11,000 check deposit for the
24 rental of the place. So, was anybody made aware
25 of it? Mr. Goldman was right there.

1 Q. Mr. Spritzer, you're way ahead of
2 me. You have gone through this too many times,
3 and you're anticipating my questions. And that's
4 all well and good, and I appreciate that, because
5 I've read all of that, but for purposes of this
6 record in this Court, we got to go through a lot
7 that you've already gone through, and I appreciate
8 that. But having said that, I'm going to ask you
9 to focus on my question and limit your answers to
10 my question.

11 My question was with respect to the
12 advances, the purchase of merchandise that you
13 indicated, how is it determined when you would do
14 that or why you would do that or if you would do
15 that?

16 A. There were meetings. There was an
17 ongoing need for money for camp to open. This
18 corporation started with zero dollars, and the
19 camp had to open. Revenue that came in from
20 tuition or elsewhere was nowhere near enough
21 money.

22 The camp had to continue operating.
23 These were demands that were made by people that
24 worked in camp. These were requests that were
25 discussed amongst the board members. This was

1 something that wasn't done with nobody's
2 knowledge. Everybody knew that the camp was
3 operating and it needed an ongoing infusion of
4 money, and the monies here basically represent
5 money that was laid out before and during camp.

6 Q. You're referring to Exhibit 2?

7 A. Sure. All the monies were laid out
8 during the operation of the camp. Nothing
9 happened after that.

10 Q. So looking at Exhibit 2, the first
11 column would be the date that the advance or the
12 merchandise would have been acquired?

13 A. Sure.

14 Q. The second column of course is the
15 amount?

16 A. Right.

17 Q. The third column is either the payee
18 or the purpose?

19 A. Correct.

20 Q. And then what is the fourth column?

21 A. Is the method of the payment.

22 Q. So, for example, the first two items
23 you have given me copies of the actual checks.

24 The third item would have been \$30 cash.

25 A. Right.

1 Q. What is the fourth item, INV?

2 A. It was books -- there's an invoice
3 here of books that I purchased, and I paid for it,
4 and I have the invoices.

5 Q. And where it says credit card, would
6 have been a personal credit card of yours?

7 A. Personal credit card.

8 Q. And then again we have cash, an
9 invoice. Now what is ledger?

10 A. Ledger is -- Heber's son was the
11 assistant director for the younger division that
12 year. He had a ledger where he would list his
13 expenses, and this money, for instance, \$2,000
14 gone petty cash ledger, if you look at his ledger,
15 which a copy of it is attached, you would see in
16 the handwriting of Heber's son my name spelled in
17 Hebrew and next to it it says \$2,000.

18 Q. Let me find that, sir. Just bear
19 with me. You're in the first packet about what
20 page?

21 MR. KELLEY: The second one or
22 Exhibit 4.

23 MR. SANTORA: Is it Exhibit 3 or
24 Exhibit 4?

25 MR. KELLEY: Four I think towards

1 the back, also.

2 BY MR. SANTORA:

3 Q. What page is it, Mr. Spritzer?

4 A. It looks like this.

5 Q. Got it. What is the date?

6 A. July 9th. I'm looking at the
7 ledger, and it appears that I omitted July 4th,
8 \$500. So you can add \$500 to my loan.

9 Q. Let me find it -- oh, I see it.

10 A. There, July 9th.

11 Q. And that is your name in Hebrew?

12 A. That's my name in Hebrew.

13 Q. I'll take your word for that.

14 A. You can verify it with Goldman, and
15 that represents a credit of \$2,000. I was the one
16 that provided the money. The items after that
17 indicates what Heber used the money for.

18 Q. Okay, very good. Bear with me one
19 second. Let me get a calculator. I'll be right
20 back.

21 (At this time there was a brief
22 recess taken.)

23 BY MR. SANTORA:

24 Q. Back on the record. Would it be
25 fair to say then, in looking at Exhibit 2, as

1 these various checks or cash advances or credit
2 card payments or purchases were made by you, that
3 the corporation at the time did not have the cash
4 available to cover any of these?

5 A. Definitely not. I mean, I wouldn't
6 be putting in the money if they had the money.

7 Q. Would it also be fair to say that
8 the items that are reflected on Exhibit 2
9 represent only those items which were not repaid
10 to you by the corporation?

11 A. Yes. If there were repayments, they
12 are jotted down at the end of Page 1, the first
13 page.

14 Q. Thank you. So if we go to the
15 bottom of Page 1, all of the items --

16 A. That were returned were deducted.

17 Q. Were deducted, so the \$72,000 figure
18 at the end would have been net those deductions?

19 A. Yes.

20 Q. And the reference is, for example,
21 the first credit of 692.63 it indicates the check
22 -- I assume that was a check that the camp made to
23 you?

24 A. No, it was a check number probably
25 to somebody else. He could have received cash for

1 it. I cannot tell you the exact circumstances,
2 but I ended up getting that check, and I deducted
3 it. It wasn't a check made out to me.

4 Q. The fifth credit says K cash. What
5 is that, \$126? Where did that come from?

6 A. I don't know what K means right now.

7 Q. The next one is Gan cash, the next
8 one is Machne cash.

9 A. Yeah, this is cash, probably petty
10 cash that is left over from the money that I had
11 advanced to them. Gan returned \$4 and the other
12 one returned \$50, and I deducted it.

13 Q. If you go back to Exhibit 13, which
14 is the '95 tax return, bear with me, according to
15 the '95 tax return, the difference between revenue
16 and expenditures were 63,000. It looks like from
17 Exhibit 2 for '95 you personally advanced 72,000.

18 Besides yourself personally, did
19 anyone else, any other individual or entity
20 advance money to Machne Menachem for 1995?

21 A. I'm not sure.

22 Q. Let's assume then for purposes of my
23 question it was only you, can you explain the
24 \$9,000 difference?

25 A. If I understand correctly, these tax

1 returns were done straight from the checkbook and
2 not from the actual books and records that the
3 corporation maintained. For instance, if there
4 were cash payments that came and went, they
5 probably weren't recorded.

6 If someone received -- was paid cash
7 out of the revenue that came in -- I'll give you
8 an example. At the end of the reason Goldman
9 collected tuition, and he had \$12,000 cash of the
10 revenue, that \$12,000 is not included in the tax
11 return.

12 Q. I also understand though that the
13 '95 tax return was prepared at the time the '96
14 tax return was prepared and filed?

15 A. Correct.

16 Q. So, the '95 tax return would have
17 been prepared well after the '95 season?

18 A. It always is.

19 Q. But even more than a year following
20 the '95 season?

21 A. I don't have the exact date.

22 Q. Well, it's in your prior testimony
23 in another matter, but you're saying the
24 difference between the revenue of or the deficit
25 of 63,000 in the '95 return and the 72,000 short

1 fall or the extent of your contributions less any
2 credit for what you took out or took back, I'm
3 sure -- let me reask that. I'm not sure what your
4 answer was.

5 A. My answer is very simple. The tax
6 return doesn't reflect all of the monies that went
7 through the Machne Menachem corporate business --
8 not account but transactions, which means --

9 Q. Like what?

10 A. Like I said before, Goldman
11 collected the tuitions, so Goldman would have
12 collected let's say whatever the tuition was that
13 he was responsible for collecting -- I'm not going
14 to have the exact amount. If he took \$12,000 from
15 that money and used it as his pay, he appropriated
16 to himself \$12,000. That didn't show up in any
17 checkbooks. It was a transaction that he
18 conducted from the monies that he had to himself
19 and that money was not included in this tax return
20 as revenue or as expense.

21 Q. But had it been included, would it
22 have decreased the deficit?

23 A. No, the numbers would have been
24 raised. There would have been a different set of
25 numbers.

1 Q. But if there was income that was
2 received or should have been received by Machne
3 Menachem but taken, as you said, for expenses,
4 then that \$12,000, for example that you used,
5 doesn't show up as income in the '95 tax return?

6 A. Right.

7 Q. So, had it been included, then
8 wouldn't have the deficit of 63 now have been 51?

9 A. No, it would have been an expense as
10 well. If the money didn't go in, it wasn't
11 because the money disappeared. It was because it
12 was used up for expenses.

13 For instance, if I gave Heber \$2,000
14 and he put it on his petty cash ledger, the money
15 from the petty cash ledger was not included in the
16 tax return as income or expense

17 Q. Okay. So, wouldn't it have offset
18 each other? The corresponding expense wouldn't be
19 on here either?

20 A. Income -- it would have increased
21 the income. Expense -- would have increased the
22 expense. I don't know how it would have played on
23 all the numbers. I can't figure out how exactly
24 all the numbers would have fit in there.

25 Q. Do you have any other explanation?

1 A. I'm not even sure whether Goldman's
2 \$12,000 was included in the expense because we
3 disputed that payment, so maybe the \$63,000
4 doesn't represent his expense. Had it included
5 his expense, maybe it would have been \$75,000.

6 Q. Do you have any other explanation
7 for the difference?

8 A. I didn't prepare the tax return. We
9 would just give the accountant the check book and
10 he would prepare all the numbers, and my numbers
11 are not documented by the tax return but
12 documented by the deposits that are made to
13 Machne's account.

14 Q. Let me show you Spritzer 14.
15 (At this time Spritzer Exhibit No.
16 14 was marked for identification.)

17 BY MR. SANTORA:

18 Q. And this is the '96 tax return.

19 A. Right.

20 Q. Again, looking at Page 1 part one,
21 we have the first source of income of 1-A direct
22 public support \$116,541, and then we have 1-C
23 again government contributions, which would be the
24 lunch program 159,874, and then this year we have
25 tuition of 463,293 for total income of 739,000

1 time about it, and I said these numbers over here
2 don't look like what's actually happening, and he
3 says we're looking at a totally different -- we're
4 looking at depreciation, you're looking at land
5 values. It's a whole different set of numbers on
6 the tax return.

7 MR. KELLEY: I need to put an
8 objection on the record as well to the form
9 of the instruments. I don't think -- we
10 may have provided them. Recognizing that,
11 I don't think they're in order.

12 I think some of the questions you're
13 asking contain explanations. For instance,
14 on the 1995 tax return what I have as Page
15 3, which is really Page 4, gives a summary
16 which shows a loan from officers and
17 directors which match Spritzer No. 1.
18 There should be appended to '96 a similar
19 schedule.

20 THE WITNESS: In '96 it also exists
21 on Page 2 --

22 MR. KELLEY: Let me complete my
23 objection and then I'll shut up.

24 MR. SANTORA: Are you objecting or
25 are you redirecting -- I'm not sure what

1 looks like \$708. Do you see that?

2 A. Yes.

3 Q. And now this year we have program
4 expenses. We had from program services 689,003
5 and management in general of 8573, for total
6 expenses for '96 of 6975 either 26 or 76. So this
7 particular year there was a net profit of \$42,132.
8 That's line 18, do you see that?

9 A. Yeah.

10 Q. So for '96 was this the year you had
11 450 campers?

12 A. Right.

13 Q. So for '96 we have -- at least this
14 year we have --

15 A. Okay, let me just interrupt for one
16 second. These returns I notice are being done on
17 an accrual basis not on a cash basis. That would
18 make the numbers totally different, and it would
19 include -- in the 1996, statement you would
20 include property depreciation, all kinds of other
21 things that you can't look at the tax return and
22 as a result from that derive cash numbers of the
23 operation of the camps. That would be totally
24 misleading.

25 And I spoke to the accountant one

1 you're doing here.

2 MR. KELLEY: I want to make it clear
3 that we may not be using a complete
4 document and --

5 MR. SANTORA: I know we're not, but
6 these are the documents as I received them.
7 As you see, there is a reference to
8 Defendant's Exhibit -- for Spritzer 13
9 there is a reference of Defendant's Exhibit
10 I of 8/30/01. That was from the New York
11 litigation. On Spritzer 14 there is a
12 prior reference of Defendant's J of
13 8/30/01. That was also from the New York
14 litigation. These are as they were used
15 then, and I haven't changed them.

16 MR. KELLEY: Okay. Well, to
17 complete my objection, we're working with
18 incomplete information. I don't know how
19 someone who has stated a couple of times
20 that he's not an accountant but understands
21 these only generally -- I have no objection
22 to continuing with the examination on these
23 records, but just so the record reflects,
24 we're using other people's -- their
25 exhibits from New York.

1 MR. SANTORA: I appreciate that, but
2 these were the documents that your client
3 produced as part of the New York litigation
4 in response to a similar request made
5 there. He testified in the New York
6 litigation that he was the person
7 responsible for the corporation at the time
8 to have these prepared, that he reviewed
9 them before they were filed, and he
10 couldn't recall if he had signed them. He
11 may have. That was his testimony.

12 BY MR. SANTORA:

13 Q. Now, looking at what you just said

14 --

15 A. Let me just finish.

16 Q. There is no question before you.

17 Looking at what you just said, if you look at

18 Exhibit 14 --

19 A. One second, let me interrupt for a
20 second.

21 Q. No, it doesn't work that way, Mr.
22 Spritzer.

23 A. Go off the record.

24 Q. I ask the questions and you give an
25 answer, so let's just continue.

1 A. I know. I understand that.

2 Q. So, let's just continue.

3 A. No, I want to go off the record for
4 just a second.

5 MR. KELLEY: Do you want to take a
6 break and tell me --

7 THE WITNESS: No, no. He asked me a
8 question about the 63 and where the --

9 MR. SANTORA: Put it off the record.
10 I don't want any of this on the record.

11 (At this time there was a brief
12 discussion held off the record.)

13 BY MR. SANTORA:

14 A. So let's just continue where you
15 want to continue.

16 Q. Thank you. Looking at Exhibit 14,
17 you were talking about cash versus accrual and
18 depreciation. Let's clarify that because
19 unquestionably the tax return includes
20 depreciation and items of that nature, but also
21 unquestionable it includes cash items as well.

22 On Exhibit 14 item 1-A direct public
23 support \$116,541.

24 A. Yes.

25 Q. Now that was actual cash -- that is

1 being reported by income by Machne Menachem for
2 the year 1996.

3 A. Right.

4 Q. Those were funds actually received,
5 were they not?

6 A. I can't tell you if they were loans
7 or donations. I have no idea what the backup for
8 those numbers are. They were obviously taken from
9 our checkbooks.

10 Q. And with respect to government
11 contributions on line C 159,874, again those were
12 actually funds received from the government
13 through the lunch program?

14 A. And that would be also numbers and
15 that would be obtained from deposit slips made to
16 the checking account.

17 Q. And the last item of income, the
18 program service revenue or tuition of 463,293
19 those would have been actual monies received that
20 year by the corporation?

21 A. Should be.

22 Q. Now, when we drop down to the
23 expenses, item 13 program expenses of 689 -- let's
24 see what we can find. There should be -- for this
25 year there is not. This particular year does not

1 have an itemization under expenses.

2 Your understanding though as
3 president of the Debtor and largely responsible
4 for the operation of the camp for this particular
5 year, would revenue of \$739,000, 450 campers I
6 believe was the year, do \$689,000 expenses sound
7 actual expenses to you or accrual expenses to you?

8 A. I have no idea.

9 Q. You have no idea. Let's look at
10 Exhibit 2. For 1996, according to this, you
11 contributed \$235,000?

12 A. Correct.

13 Q. Either in cash or purchases?

14 A. Correct.

15 Q. So, if we go back to Exhibit 14, we
16 have 116,000 in public donations or grants, we
17 have 159,000 of lunch program funds, we have
18 463,000 in actual tuition received, and then we
19 have your loans or advances of 235,000. So if add
20 those figures all up, we get a total cash to the
21 corporation, either through your loans, your
22 advances, the public donations, the government
23 lunch money or tuition, of \$975,000 and change.
24 Any reason to disagree with that?

25 A. You're reading the numbers off the

1 tax return. I don't have the backup for it so I
2 can't --

3 MR. KELLEY: I need to object in
4 that assumes that a loan is income.

5 MR. SANTORA: Fair objection. Let
6 me rephrase the question.

7 BY MR. SANTORA:

8 Q. With respect to sources of available
9 funds that the Machne Menachem Corporation or camp
10 had available for the calendar year 1996, we have
11 direct public donations, we have the government
12 lunch program, we have the tuition revenue, and we
13 have your loans or advances or purchase of
14 merchandise on behalf of the corporation, and if
15 we total those four figures, we get \$975,000?

16 A. If you total those figures, that's
17 exactly what you get.

18 Q. Now, in addition to those four
19 figures, are you aware of any other source of
20 available funds that the camp had for its use
21 during 1996?

22 A. I know we took a lot of loans that
23 year. That was the year that we purchased the
24 property. I don't know exactly where those loans
25 would be included.

1 It wasn't available. It's not like there was
2 extra cash left over.

3 Q. What records are there to
4 substantiate direct public support in 1996 of
5 \$116,541?

6 A. He had to get -- the accountant had
7 to get this number from somewhere. He definitely
8 has the backup to fill in these numbers,
9 definitely. It wasn't numbers that we gave him.

10 Q. Well, you weren't present when I
11 questioned Mr. Rutman.

12 A. Right.

13 Q. I asked Mr. Rutman about the
14 preparation of the tax returns, and what he told
15 me was either himself, his wife, who acted as the
16 bookkeeper, or you provided the underlying
17 information to the CPA to perform the tax returns.

18 A. Correct.

19 Q. Do you agree with that statement?

20 A. Yes.

21 Q. So with respect to whatever backup
22 documentation exists for the \$116,000 direct
23 public support figure, it would have come from
24 either you, Mr. Rutman or his wife?

25 A. Correct.

1 On Page 2 of that same tax return
2 there's a balance sheet, and it adds up to
3 \$981,000 of liabilities. I mean, I have no idea
4 what these numbers mean, so I can't really, you
5 know, honestly answer your question. I mean the
6 real way of looking at this is just by looking at
7 the revenue that came in through deposit slips,
8 the checks that went out and putting all the
9 pieces together, and you'll get a total picture.

10 Q. But that's contrary to what you said
11 earlier because if you only look at the deposit
12 slips that assumes every dollar that came in as a
13 revenue or a source was deposited, and you've
14 already indicated an example of \$12,000 involving
15 Mr. Goldman.

16 A. Right.

17 Q. So you can't just look at deposit
18 slips, can you?

19 A. But additional revenue that wasn't
20 deposited was obviously used for expenses
21 otherwise it would have been available. So I'm
22 assuming -- and the position that I'm taking here
23 is -- revenue that didn't make it to the bank was
24 either used for some purpose or taken for
25 something that we're aware of but it's not around.

1 Q. Who is also your daughter, by the
2 way?

3 A. Yes.

4 Q. The same question with respect to
5 the lunch money of 159,000. You're assuming that
6 the accountant had some documentation to put that
7 figure on the tax return?

8 A. Right.

9 Q. The same question, I presume the
10 same answer on the tuition?

11 A. Yes.

12 Q. Same question and presume the same
13 answer with respect to the expenses?

14 A. Yes.

15 Q. Do you know whether any of that
16 backup or -- backup documentation or supporting
17 documentation still exists?

18 A. If it is, it's either -- I mean I
19 don't have it anymore.

20 Q. Do you know who may have it?

21 A. The new management or the
22 accountant. I don't have it that's for sure.

23 Q. When the accountant prepares the tax
24 returns, who did he forward them to each year?

25 A. The actual return he would send them

1 to me.

2 Q. When he would send you the return,
3 did he include with the return, the completed
4 return all the backup documentation?

5 A. That I gave him? If he did, then it
6 was in the boxes that were turned over.

7 Q. As you sit here today, you're not
8 aware of any other documents that have not already
9 been turned over?

10 A. That I have.

11 Q. That you have.

12 A. No, I don't have anything to support
13 this, no.

14 Q. How about anyone else that you're
15 aware of?

16 A. Not that I know of.

17 Q. With respect to the revenue of
18 463,000 from the tuition, I asked Mr. Rutman what
19 the average tuition was, and he indicated it was
20 anywhere from zero to, depending on the year,
21 1600, 1800 or 2000 per child. Do you agree with
22 that?

23 A. Yes.

24 Q. And he also told me that either
25 himself or Mr. Schreiber or yourself was

1 responsible for making the determination as to a
2 particular family's economic need and how much
3 tuition they would be charged?

4 A. That was from 1998 onward. Before
5 that it was a different setup.

6 Q. How was it before '98? Let's do
7 that one first.

8 A. In 1997 it was the camp director
9 Meier Kahanov, K-A-H-A-N-O-V, who made most of the
10 decisions. Maybe we were involved in some of
11 them. In 1996 I think I had nothing to do with
12 any of the decisions.

13 Q. Who would have made them in '96?

14 A. There was a Mrs. Nadler who worked
15 in the office. I think she was working along with
16 Meir Schreiber, who was appointed as treasurer by
17 Mendel and Meir Hershkop, and he was the chief
18 financial officer of the corporation in that year,
19 and he and Mrs. Nadler, N-A-D-L-E-R, in essence
20 ran all the books and records for 1996.

21 In 1995 I was the one that
22 maintained the books and records, but I think
23 decisions for tuition could have either been made
24 up by Mr. Goldman or a Mr. Laufer (sic) in the
25 younger division.

1 Q. Did you have any set of guidelines
2 as to whether or not you would give someone a
3 discount on tuition? What did you base it on?

4 A. Just knowing the people and deciding
5 -- it was from the hip.

6 Q. Did you ever take into account, as
7 part of that decision-making process, the economic
8 needs of the camp?

9 A. Sure.

10 Q. How did you balance the two?

11 A. You can't. They don't work
12 together. They work against each other, and
13 that's why there is a deficit.

14 Q. And once a determination was made as
15 to what a certain person would pay in tuition, was
16 there a bill sent to that person, an invoice?

17 A. No, it was just an agreement. Maybe
18 they kept notes in the office. Those notes would
19 eventually be transferred to ledgers that we have,
20 and I guess by the time the summer came around we
21 would just have a list of people that still owed
22 us money.

23 Q. These ledgers that you referred to,
24 would be a ledger of campers by name or families
25 by name?

1 A. I don't know exactly. I wasn't
2 actually in the office. I don't know exactly what
3 system they would use, but basically it was an
4 attempt to collect outstanding balances. When a
5 balance was paid, that name was totally irrelevant
6 to the list. It was added on to a list of income.

7 The deposit slips, if you would
8 reconstruct all the deposit slips, you would
9 probably create a full list of campers and monies
10 that came in. They're all listed on the deposit
11 slip.

12 Usually the secretary would write
13 the name of the person that is putting that
14 particular deposit into the deposit.

15 Q. For purposes of keeping track of who
16 had already paid and who hasn't, did the
17 bookkeeper keep any type of ledger as to the
18 campers on a given year?

19 A. There must have been some kind of
20 way of tracking it. Usually they asked for post
21 dated checks, and the post dated checks, in
22 essence, were our best records. We were trying to
23 get post dated checks before the summer. This way
24 we don't need anymore lists. We know exactly what
25 is outstanding.

1 I mean every year worked different.
2 As we got more professional at it, we try to
3 streamline it and we make it a little bit better.
4 Everybody wants to get paid upfront. In 1995 we
5 had post dated checks that went all the way to the
6 end of the year, and there were a lot of people
7 who ended up never paying.

8 Q. According to Exhibit 14, revenue
9 exceeded expenses by \$42,000, but yet that figure
10 does not include the cash advance and credit
11 advances of \$235,000, as depicted on Exhibit 2?

12 A. It probably does include it.

13 Q. It does include it?

14 A. I probably does. I don't know how,
15 but it probably does because on Page 2 that number
16 is listed.

17 MR. KELLEY: I'm going to raise the
18 same objection.

19 MR. SANTORA: You can have a
20 continuing objection, but again these are
21 documents that were produced through the
22 New York litigation by your witness.

23 MR. KELLEY: When I do my tax return
24 at the end of the year, if I've got a new
25 mortgage on my house, do I put it on my tax

1 I'm talking about simply the cash on
2 Page 1, and revenue exceeds expenses, and if that
3 in fact occurred, either there would have been no
4 need for a loan during that calendar year, or if
5 it's the purpose of cash flow, either the loan
6 would have been repaid or there would be a greater
7 balance at the end of the year.

8 I'm trying to reconcile if the
9 corporation made a net profit and on top of the
10 net profit got a quarter of a million dollar loan,
11 where is the money, where did it go?

12 A. Again, you're trying to come up with
13 a profit and loss statement based on the numbers
14 that are accrued.

15 Q. No, I'm not. I'm talking about a
16 cash flow statement only.

17 A. This is not a cash flow statement.
18 This tax return Page 1 that you're looking at it
19 has the word accrual checked off. This is
20 definitely not a cash flow statement, and if you
21 think it is, when you're talking about line 13,
22 which 689,000 program services from line 44 column
23 B, I would like to see where that comes from.

24 Q. Let's do it this way, okay. If we
25 agree in 1996 you had 450 campers that year, that

1 return as income? I mean that's the
2 essence --

3 MR. SANTORA: No, you're missing the
4 point. I'm not saying it should be income.
5 What I'm saying -- let me rephrase it.

6 BY MR. SANTORA:

7 Q. I'm sorry, let me rephrase it.

8 According to the 1996 tax return, if we assume
9 what's contained in here is correct, the cash
10 revenue from the three sources we talked about
11 received by the company for '96 exceeded the
12 actual expenses incurred by the company in '96 by
13 \$42,000. Now, as I look at those three sources of
14 revenue, your loan of 235,000 is not included.

15 A. Looking at Page 2 and I see it is
16 included.

17 Q. I'm not looking at Page 2. I'm only
18 looking at Page 1.

19 A. I can't --

20 Q. Mr. Spritzer, look at Page 1.

21 A. Okay.

22 Q. Page 1 lists three items of revenue,
23 two items of expenses, okay. I'm not talking
24 about Page 2, which is the balance sheet, which
25 may be accrual. I'm not talking about Page 2.

1 was the good year.

2 A. Yeah.

3 Q. You already testified you had 450.
4 Now, of the 450 -- do you know what the tuition
5 was?

6 A. No.

7 Q. You have no idea?

8 A. I didn't take care of it. That
9 wasn't my -- I would assume if we had 450 campers,
10 \$460,000, it was about a thousand dollars a
11 camper.

12 Q. So, on average a thousand dollars a
13 camper?

14 A. Correct.

15 Q. So if Mr. Rutman testified that the
16 asking price would have been -- I forget how he
17 referred to it. Let me see if I have it. The
18 original or requested tuition was \$1,800 a year.
19 When you take into account the reductions or
20 discounts that were given, then it would have
21 averaged out to about a thousand dollars per
22 child.

23 MR. KELLEY: I have to object
24 because Rutman testified that he wasn't
25 there in '96.

1 BY MR. SANTORA:

2 Q. So whatever the tuition was, it
3 would have been more than a thousand dollars per
4 child though because that thousand dollars per
5 child average takes into account the discounts
6 that you gave?

7 A. If we gave a discount, it's not
8 money. It doesn't exist.

9 Q. So, if you received on average a
10 thousand dollars per child, recognizing that some
11 child paid less than the full tuition because you
12 gave discounts, then the asking tuition had to be
13 more than a thousand dollars per child?

14 A. Yeah, it was probably more.

15 Q. We don't know what the exact figure
16 is, as you sit here, but it would have been more?

17 A. I don't know the exact amount. It
18 could have -- I'm not sure.

19 Q. So we have actual cash, as far as
20 tuition, of 463,000?

21 A. Right.

22 Q. So that's not accrual. That's real
23 cash that came in that year?

24 A. Right.

25 Q. With respect to the government

1 would have been actual cash or deposits or checks
2 into the debtor's account that you provided?

3 A. Whatever it says, yes.

4 Q. So, in addition to the 622,000 in
5 tuition and the lunch money, it would have
6 received say 200,000 from you in actual cash, and
7 obviously I'm rounding off numbers quickly.

8 A. All right.

9 Q. Then we have on top of that direct
10 public support of 116,000, which you're not sure
11 about, but if I understand what question 1-A is
12 asking for, these would have been donations that
13 the camp would have received from some third
14 party?

15 A. I doubt it was donations. I doubt
16 it.

17 Q. It's true, is it not, that the camp
18 does receive annually donations from members of
19 the community?

20 A. Very little. Maybe some of it comes
21 up in the form of scholarships that would be
22 included in the revenue, in the service revenue,
23 but additional donations over and above the
24 tuition and the scholarships that people would
25 provide to kids -- and it may very well be that he

1 subsidy of 159,000, again that is real cash that
2 the camp received?

3 A. Right.

4 Q. So, right there we have over 600,000
5 -- it looks like 612,000 -- 622,000 of actual cash
6 from those two sources alone?

7 A. Right.

8 Q. Then if we look at your exhibit, we
9 have -- for '96 of actual cash we have, let's see,
10 850 for the first two items, we have a \$20,000
11 deposit July 26th, May 20th 35,000. It says check
12 for closing. Now, was that cash you advanced?

13 A. If it says a check, there's a check
14 number there.

15 Q. And then there is a \$50,000 deposit
16 on July 31st?

17 A. That was a check.

18 Q. It was a check, but it was actual
19 funds that you gave. It wasn't a credit. I mean
20 you actually gave those funds via check, right?

21 A. That was deposited to the account.

22 Q. Okay. So, of the 235,000, with the
23 exception of the few invoices for the fans, the MX
24 Dollar Rent-A-Car invoices, \$2100 for tables and
25 some gas charges, it looks like all of the others

1 includes -- I don't know how he would designate
2 the scholarships that people would give. I can't
3 answer that question.

4 Q. The 116 doesn't come in as part of
5 the revenue for tuition, does it, because it's
6 added in addition to the revenue?

7 A. Right.

8 Q. And at least on this tax return,
9 it's reported as contributions, gifts, grants from
10 direct public support?

11 A. But I'm telling you from my
12 recollection -- I'm telling you from my
13 recollection we did not receive \$116,000 worth of
14 donations in 1996. I don't remember that
15 happening. I remember a lot of loans. I don't
16 remember donations.

17 Q. Even assuming then that is true,
18 isn't there still excess cash income over cash and
19 expenditures for '96?

20 A. I don't know what the \$689,000
21 represents. Maybe it represents the expenses
22 after the loans. I have no idea what it
23 represents. If I could answer that question, I
24 would be more than glad to. I can't. I can't
25 look at a \$689,000 number and tell you exactly

1 what it means. If you had supporting ledgers,
2 which I gave them, they would shed some more light
3 on these numbers.

4 Q. I show you Spritzer Exhibit 15.
5 It's corporate tax return for '97.

6 (At this time Spritzer Exhibit No.
7 15 was marked for identification.)

8 BY MR. SANTORA:

9 Q. And you can tell from the premarked
10 exit this was Item K of the New York litigation
11 for the hearing of 8/30/01. Again, the same items
12 we're going to look at. Item 1-A on the first
13 page direct public support \$8200 this year. Then
14 government contributions, again the lunch fund I
15 presume, of \$98,000?

16 A. Right.

17 Q. If I recall, in '97 you had 200
18 campers?

19 A. Yes.

20 Q. Tuition is 226,000, so again that
21 would average just a little more than a thousand
22 dollars per camper?

23 A. Right.

24 Q. This year we had expenses of 300 and
25 -- I'm sorry, of 435 total. So this year there

1 money in or take the cash and put the money in.

2 Q. In whose names were these accounts?

3 A. It could be anybody. You're going
4 to have copies of all the checks right here, so
5 any check you have -- see here in the back that
6 would represent where the money came from, and the
7 signature would probably be one of mine or most of
8 them.

9 Q. But as far as the million dollars
10 plus that you are claiming to be a creditor of in
11 this company, it's you personally who's claiming
12 to be that creditor?

13 A. Correct.

14 Q. It's not any family member of you?

15 A. No.

16 Q. It's not your corporation?

17 A. No.

18 Q. It's you personally?

19 A. Yes.

20 Q. Because of that, did you personally
21 contribute all of those funds?

22 A. Yes.

23 Q. And my question is, what was the
24 source of the funds that you personally
25 contributed aggregating in excess of a million

1 was a deficit of 103,000, operating deficit. Do
2 you recall a large operating deficit for '97?

3 A. The largest operating deficit we had
4 was in 1996.

5 Q. Okay.

6 A. That's when we bought the property.
7 We must have put about a quarter of a million
8 dollars into improvements into the property. We
9 had to tool the entire property, furnish the
10 entire property, tractors, rented vehicles. The
11 year 1996 was definitely by far the biggest loss,
12 even though the accountant -- the tax return shows
13 a \$21,000 loss.

14 Q. Well, let's look at Exhibit 2 for
15 '97. These look like all deposits, with the
16 exception of the last entry for the bus company,
17 of \$179,000. That would have been the amount of
18 your loans in '97?

19 A. Yes.

20 Q. The source of the funds where you
21 either gave a cash deposit or paid off some
22 expense of the Machne Menachem, where did those
23 funds come from?

24 A. Usually accounts that I control, and
25 I have the ability to write a check and put the

1 dollars?

2 A. Wherever I had access to my own
3 money, and I would take that money or take an
4 advance on that money, and I would put it into the
5 camp. It would become my money that I put in.

6 Q. And were these from personal
7 accounts that you had at the time of the advances?

8 A. No, if you look over here you would
9 see there's checks here from A-One Merchandising.
10 There are personal checks here.

11 Q. Let me ask you about that. Some of
12 the checks that you produced are checks on a
13 personal account in your name?

14 A. Right.

15 Q. Some of the checks you produced are
16 joint accounts with you and your wife?

17 A. Right.

18 Q. And then some of the checks are the
19 corporate account of A-One Merchandising?

20 A. Right.

21 Q. With respect to the accounts -- the
22 checks written on the accounts in your name,
23 that's easy. Your name, you're the creditor.

24 With respect to the checks written on the joint
25 accounts between you and your wife, is your wife

1 asserting herself as a creditor as a result of
2 that loan or is it only you, your funds?
3 A. In our community, a husband and wife
4 is the same pocket. We file a joint return. If
5 she spends money, it's her money. It's all our
6 money. If I put out money and I gave somebody a
7 loan, it becomes my loan. She is not working
8 behind my back or against me.

9 It's a unified operation. It's a
10 full fledged partnership. There is nothing
11 deviating over here. It's a unified operation.
12 I'm the one that earns the money in my house. I
13 put it into a joint account. If she wants to
14 write out money, she has the ability to sign a
15 check and write out money. If I give out money to
16 camp, it's an advance that I made to camp. It's
17 my obligation.

18 Q. So even though the source of some of
19 the checks were from a joint account with your
20 wife, you are the creditor not your wife?

21 A. Right.

22 Q. Now with respect to the checks from
23 A-One Merchandising, how are those funds
24 transferred?

25 A. If I take money from A-One

1 Merchandising and I buy myself a house, that
2 becomes an advance that I took against monies that
3 are owed or coming or will be coming to me and
4 that becomes my income and that becomes my
5 personal funds.

6 So if I wrote out a check from A-One
7 Merchandising made out to Machne Menachem, it's
8 picked up as my income at the end of the year or
9 an advance on my income or an advance on a loan
10 that the corporation owes me and becomes my money,
11 and it's my money that I'm giving away.

12 Q. So with respect to any checks from
13 A-One Merchandising, even though the source of the
14 funds was A-One, it's your position that that was
15 simply an advance or a loan from A-One to you and
16 that you are the creditor personally and not A-One
17 of Machne Menachem?

18 A. Yes. A-One is a Sub Chapter S
19 corporation, which means that all profits that
20 remain at the end of the year become my income.
21 So there is no corporate funds over here.
22 Whatever is not listed as an expense on A-One's
23 return, becomes my income.

24 Q. Other than the direct public
25 support, whatever that is, other than the

1 government lunch program and other than revenue
2 from the tuition, did the camp have any other
3 source of income during either '95, '96 or '97?

4 A. Loans that we got from other people.

5 Q. Any other source?

6 A. Maybe a small amount of donations
7 that could have been gotten during that time.

8 Q. Okay.

9 A. And as far as I remember, that's
10 about it. I don't remember -- I don't know of
11 anything else.

12 Q. In addition to paying for outright
13 tuition, as far as the operations of the camp
14 itself, did the camp operate any type of -- I know
15 at my sons' camp they call it a canteen. Do they
16 have anything like that?

17 A. The camp always operates a canteen,
18 every year.

19 Q. My experience is kids aren't going
20 to show up without a pretty good canteen at the
21 camp.

22 A. Right.

23 Q. A canteen, for purposes of the
24 record, is a place where they can buy snacks or
25 soda or things of that nature during their stay at

1 the camp, is that right?

2 A. Right.

3 Q. Looking at the report from '97, the
4 tax return from '97, I could not find any line
5 item for income for the operation of a canteen.
6 Take whatever time you need to see if you can find
7 it.

8 A. No, let me tell you what it is. The
9 canteen doesn't make a tremendous amount of
10 profit. The staff members have bills at the
11 canteen. At the end of the summer their bills in
12 the canteen are deducted from their income. Which
13 means instead of getting the money from the
14 canteen we just use that as a number that is
15 deducted -- let's say he's got to get \$300, and he
16 owes a hundred dollars to the canteen, we only
17 give him \$200.

18 So that canteen profit is offset by
19 compensation that we give to the staff members,
20 and if there is a few dollars left, you will
21 notice that in the petty cash ledgers or whatever.
22 I did notice some entries for some canteen money
23 -- not a lot but there are some entries for
24 canteen money.

25 Since my daughter operates the

1 books, she documents canteen income, canteen
2 expenses, and she runs it through a separate
3 accounting, and if you look through the ledgers,
4 you should find some canteen accounting and that's
5 included in the overall picture. You won't see a
6 separate entry in the tax return for canteen, not
7 that I know of anyway.

8 Q. At the end of the year when all of
9 that is said and done, if there's income, excess
10 profit from the canteen, where is that reflected
11 on the tax return?

12 A. It won't be reflected on that. It
13 would be reflected in cash receipts. You won't
14 see a separate line item on the tax return, and
15 there were certain times -- I don't remember
16 exactly the setups that we had. The first year I
17 remember the canteen lost money. After the summer
18 they were asking me to give them more money. They
19 still had bills to pay.

20 As a matter of fact, in the later
21 years we were still paying suppliers, ice cream
22 suppliers who didn't want to deliver us anything
23 because we still owed money from the 1995 canteen.
24 That was the canteen operation. It would
25 definitely not show up as a separate line on the

1 loan.

2 Q. If we look at '98 -- let's see, it
3 should be here. Let me find it. Here we go. If
4 you look at the fourth page from the end of
5 Exhibit 16, it says loan from officers and
6 directors?

7 A. Yes.

8 Q. It says 1997 Mr. Yaakov Spritzer
9 this looks like an accumulated number. I'm sorry.

10 A. Go ahead.

11 Q. The fourth page from the end.
12 \$464,000 in '97 and in '98 it jumps up to 597.

13 A. Right.

14 Q. So the difference of 132,800 would
15 match your Exhibit 2?

16 A. Right.

17 Q. Then if we go to the next line Meir
18 Schreiber in '97 his accumulated loan was 111,000
19 but then it jumped up in '98 to 368, so it looks
20 like that difference of 257,000 he would have
21 loaned that particular year.

22 A. That would probably be a reflection
23 of Page 1 of the Form 990. It would be three
24 pages from the back. That would probably be a
25 reflection of those numbers. It wouldn't be money

1 tax return.

2 (At this time Spritzer Exhibit No.
3 16 was marked for identification.)

4 BY MR. SANTORA:

5 Q. Let's look at Spritzer Exhibit 16,
6 which of course is the tax return, as you've
7 probably anticipated, for '98. Again, these were
8 previously marked Exhibit L in the New York
9 litigation.

10 If we look at '98, again on Page 1
11 part one, we have the direct public income, we
12 have the government lunch income, and we have the
13 tuition income, and then we have the expenses down
14 below for both program services and management in
15 general.

16 In this particular year we have a
17 deficit of 212,000. Do you see that?

18 A. Yeah.

19 Q. And looking at Exhibit 2, your loans
20 for '98 total \$132,800. Do you see that?

21 A. Yes.

22 Q. Then I believe Mr. Schreiber in '98
23 made a loan of about \$250,000. Does that sound
24 about right?

25 A. No, he never made that kind of a

1 that he advanced to the corporation.

2 Q. It would not be money he advanced to
3 the corporation?

4 A. No, it would be these securities
5 that he had in the name of the corporation.

6 Q. He contributed securities?

7 A. He didn't contribute. He
8 contributed -- he loaned the corporation
9 securities with the stipulation that if they go up
10 the corporation would keep the profits. The loan
11 would be his. It was in the form of a loan. The
12 loan would be his. The profits would be ours. If
13 it goes down, then we're losing his money. So
14 that big increase would be a reflection of those
15 securities that are reflected on that page and the
16 following page line 54.

17 Q. So, you're saying Mr. Schreiber did
18 not actually advance cash in these amounts?

19 A. Right, he advanced securities.

20 Q. But for purposes of this tax return
21 where it says in 1998 he accumulated loans of
22 368,000, he didn't advance actual monies?

23 A. No, the value was included in his
24 loan figure because it became an asset that the
25 camp owned.

1 Q. When any of the officers made a loan
2 to the corporation, how was it documented other
3 than by a cancelled check or a receipt?

4 A. Documented by a transaction in the
5 bank and entry into the checkbook.

6 Q. Was there any promissory note made
7 by the corporation in favor of the officer?

8 A. Not that I know.

9 Q. Was there ever a ledger for loans
10 payable that the corporation made in favor of the
11 officers?

12 A. The accountant could have separated
13 those numbers from the entries in the ledger or in
14 the check book and made separate pages for each
15 loan officer. I think he had separate
16 documentation for different items on the return.

17 Q. Were there ever any corporate
18 resolutions

19 A. You mean --

20 Q. -- made?

21 A. If it was agreed that this money
22 would be advanced, sure.

23 Q. And how is that evidenced?

24 A. Evidenced by meetings and by the
25 money being accepted and being used by the

1 Q. That you did not consider loans?

2 A. And I do not consider them loans. I
3 consider them donations.

4 Q. Do you know through '98 what the
5 amount of the donations were?

6 A. About \$119,000.

7 Q. So then in addition to the
8 government lunch program, in addition to the
9 tuition from -- the revenue from the tuition, in
10 addition to the direct public support, whatever
11 that is, and in addition to the loans from
12 yourself and any other third parties who made
13 loans, you had accumulated donations just from
14 yourself of 119,000?

15 A. This would be reduced from the loans
16 that I made, and I spelled it out in the
17 disclosure statement. My disclosure statement
18 lists the total amount of 1,131,675, and from that
19 I'm reducing the \$119,000. That leaves a net loan
20 of a little bit over a million dollars, and I
21 copied for your benefit redacted pages of my tax
22 returns which indicate amounts on them.

23 Q. Why don't we mark this as Spritzer
24 17.

25 (At this time Spritzer Exhibit No.

1 corporation.

2 Q. Was there ever any written
3 resolution transcribed to reflect that agreement?

4 A. Yeah, the tax returns would reflect
5 those loan amounts. At the end of the year, we
6 would reflect them in the tax return.

7 Q. But there was no corporate
8 resolution adopted and reduced to writing?

9 A. Not that I know of. I mean maybe
10 later we did. For an accumulated amount maybe we
11 did later, but in the beginning we never
12 documented any of the loans with promissory notes
13 or with corporate resolutions.

14 Q. So as of '98, with respect to your
15 number that is contained on Exhibit 16, which by
16 '98 has accumulated to just under \$600,000, those
17 are actual advances or cash or payments that you
18 made?

19 A. \$600,000 in the end of 1998, yes,
20 sir. That was actual deposits or payments that I
21 made.

22 Q. All right. In addition to the
23 loans, did you personally ever make any donations
24 to the camp?

25 A. Yes.

1 17 was marked for identification.)

2 BY MR. SANTORA:

3 Q. Mr. Spritzer, we talked earlier on
4 in the deposition about additional documents that
5 you brought with you today.

6 A. Yes.

7 Q. I'm showing you Exhibit No. 17,
8 which consists of -- it looks like a redacted
9 Schedule A from a tax return of Yaakov and Rochel
10 Spritzer for '95, for '96 and an undated page.

11 A. Yeah, there are no dates on '97, '98
12 and '99.

13 Q. Okay, thank you. The last page
14 three pages are '97, '98 and '99?

15 A. Yeah, probably.

16 Q. All right. Just Page 1 is entitled
17 1995 Schedule A, Machne Menachem \$27,521. What
18 does that represent that figure?

19 A. Donations to Machne Menachem from
20 myself.

21 Q. And each year the figure would
22 represent donations?

23 A. Right.

24 Q. You say donations. These would be a
25 charitable contribution on your behalf?

1 A. Yes.
 2 Q. So, is it your testimony that the
 3 amounts of these charitable contributions are not
 4 included in what you're alleging to be your loan
 5 balance?

6 A. Right.
 7 Q. How did you determine what was a
 8 charitable contribution and what was a loan?

9 A. Whatever I decided to give as a
 10 donation became a donation. Everything was a
 11 loan. If I decided to forgive a portion of it, it
 12 became a donation. The tax return reflects the
 13 portions that I deducted from the monies that I
 14 advanced the camp as a loan.

15 Q. So if we look at Exhibit 2 for '95,
 16 the 72,354.23 total is that after the 27,521 or
 17 before?

18 A. Before.

19 Q. So then if we go to -- so I'm
 20 assuming then if I add up all of Exhibit 2, I
 21 should get the total of Exhibit 17 and the total
 22 --

23 A. Which is 2? If you add Exhibit 2,
 24 you should get --

25 Q. The total of Exhibit 17 plus your

1 \$600,000 in loans.

2 A. Right.

3 Q. What was your intention of ever
 4 getting repaid your monies?

5 A. Well, we had a \$75,000 a year
 6 mortgage. We were doing a lot of improvements,
 7 and the camp -- I made this information available
 8 in our disclosure statement. We hoped that the
 9 camp will need less money for operating. I don't
 10 know why you felt I would get insulted.

11 Q. Well, because I mean at a point in
 12 time do you say enough is enough? How long were
 13 you going to keep contributing funds?

14 A. No. Do you ever go to a restaurant
 15 and get a good waitress who gives you a good meal?
 16 You give her a nice tip. Thank God I'm pretty
 17 successful, and my way of thanking God is by
 18 giving back. Whether it's in the form of a
 19 donation or in the form of an interest-free loan
 20 -- I give a lot of other donations besides the
 21 donations that I listed for Machne Menachem. You
 22 noticed that I blanked over a number of other
 23 items here.

24 I guess I'm a very charitable
 25 person. To me this was a tremendous service to

1 balance that you just stated as to the net due you
 2 on the loan?

3 A. If you add up Exhibit 2, you'll get
 4 the total that is listed at the end. If you
 5 deducted from it Exhibit 17, you'll get the amount
 6 that is owed to me.

7 Q. That is another way of saying what I
 8 just said.

9 A. I didn't understand that.

10 Q. That's all right. We got to the
 11 same point.

12 A. I don't see all the exhibits in
 13 front of me.

14 Q. All right. So for '95, '97, '98 and
 15 '99, at least according to the tax returns, the
 16 camp operated at a deficit?

17 A. Every single year since we began we
 18 operated under a deficit, every single year. Some
 19 years more, some years less, but there's a deficit
 20 every single year.

21 Q. Mr. Spritzer, let me ask you a
 22 serious question. I don't want you to take it as
 23 an insult. I'm not intending it as that, but for
 24 the first five years of this camp it's operated at
 25 a deficit, and you have already contributed almost

1 the community. My kids went to this camp as well.
 2 We built a tremendous reputation. I'm not in this
 3 for making a living. I'm in this because
 4 someone's got to do something for the community.
 5 If it wasn't for charity, this country wouldn't be
 6 here.

7 Q. In the tax returns there is a
 8 statement that pursuant to Jewish Law the loans
 9 are to be interest free. Is that an accurate
 10 statement?

11 A. I can only take interest from
 12 another Jew based on a written document that I
 13 have to fill out. If I don't, then I can't take
 14 interest.

15 Q. So with respect to the loans due you
 16 from Machne Menachem, there is no interest that is
 17 accumulating on those loans?

18 A. Not right now. So, in essence, I'm
 19 giving up 50, \$60,000 a year just on the interest
 20 I could have made on the money. I mean that shows
 21 an indication of where I'm coming from.

22 Q. Let's me show you Exhibit 18,
 23 which is a tax return for '99.

24 (At this time Spritzer Exhibit No.
 25 19 was marked for identification.)

1 MR. KELLEY: We already marked this
 2 I think this morning.
 3 MR. SANTORA: I didn't mark it. I
 4 just showed it to him.
 5 MR. KELLEY: So this is 18.
 6 BY MR. SANTORA:
 7 Q. Again, same thing. If we look at
 8 item 1-A and C, if I asked you the same questions,
 9 you would give the same answer as far as what
 10 those numbers represent?
 11 A. Yes.
 12 Q. And, again, if we turn to -- let's
 13 see, towards the end, I'm sure, it's about -- you
 14 found it. Loans from officers and directors,
 15 under miscellaneous statement now, through '99
 16 your accumulation of loans is 741,977, and Mr.
 17 Schreiber's has actually gone down from 368 to
 18 326?
 19 A. Right.
 20 Q. Do you know why his decreased?
 21 A. I guess he sold some stock.
 22 Q. If you look at the ninth page of
 23 Exhibit 18 the tax return for '99?
 24 A. Right.
 25 Q. Now this year has what's attached a

1 support schedule, and it's cumulative so it's
 2 helpful because line item 15 says gifts, grants or
 3 contributions received, and it starts for '98
 4 127,000 this year, which the next number gross
 5 receipts from admissions, merchandise sold or
 6 services performed 184. Now, that number does --
 7 I don't know what that number does. Do you know
 8 anything about this?
 9 A. I think this is just a comparison
 10 page. It just copies the numbers from the 1998
 11 return for comparative purposes for previous
 12 years, that's all it does.
 13 Q. But in trying to compare the totals
 14 listed on this with the revenue that is reported,
 15 I can't do that.
 16 A. Why can't you?
 17 Q. They don't seem to match.
 18 A. 127 is copying line 1-D of the 1998
 19 return, Exhibit 16.
 20 Q. The '98 return. Okay. So they do
 21 match?
 22 A. Well, it said 1998 on top, and the
 23 1997 would be the numbers from 1997.
 24 Q. Very good. Okay.
 25 A. I didn't prepare this, but I'm just

1 trying to put the pieces together.
 2 Q. So if we look at this Page 3, at
 3 least for the four years reflected '95, '96, '97,
 4 '98, there is a total of \$616,000 in gifts, grants
 5 and contributions received.
 6 A. Yeah.
 7 Q. Now, that seems to be contrary to
 8 what you indicated previously that there were
 9 minor donations over the years.
 10 A. I don't have the schedules for that,
 11 but there are definitely --
 12 (At this time there was a brief
 13 recess taken.)
 14 BY MR. SANTORA:
 15 Q. Mr. Spritzer, with respect to
 16 Exhibit 18, which is the tax return for '99, it
 17 lists program service revenue on line 2 of Page 1
 18 of \$348,304. Do you recall how many kids you had
 19 in '99 at the camp?
 20 A. About 300.
 21 Q. So, again, you average, taking into
 22 account discounts, scholarships, what have you,
 23 actual tuition you're collecting is about a
 24 thousand dollars a child?
 25 A. Yeah, it's little bit more.

1 Q. A little bit more. \$1500 this year?
 2 A. Where's 1500?
 3 Q. A thousand per child?
 4 A. 1100.
 5 Q. Your math is better than mine, and
 6 in looking at Exhibit 2 for '99, you had loaned
 7 \$87,000. These are all deposits?
 8 A. Yes.
 9 Q. Let me ask you, like for example, on
 10 March 12th of '99 there is a \$20,000 deposit,
 11 these were all checks this year?
 12 A. Yes.
 13 Q. Look at Page 1 of Spritzer Exhibit
 14 2, for 1995 there is a \$20,000 cash deposit of
 15 July 7th. Now, if I recall your testimony in the
 16 New York litigation, that was actually a deposit
 17 of A-One that you then put into the Machne
 18 Menachem account?
 19 A. That was 20,000 cash that I had in
 20 my possession in the bank to deposit to A-One
 21 Merchandise or to make a deposit for myself, and
 22 Goldman was in the bank with me or he came to the
 23 bank and he met me there. He told me we need
 24 \$20,000 to cover checks that have been written
 25 out. I took the \$20,000, I gave it to Goldman and

1 put it in the Machne Menachem account. Right
2 there at EAB on 80 Jamaica Avenue.

3 Q. The loans that you've given over the
4 years, were the sole purpose of the loans to make
5 up deficits that the camp incurred?

6 A. Yes.

7 Q. Over the years, since you started
8 making these loans, have you received any payments
9 back?

10 A. No, other than listed on here.

11 Q. Other than the credits listed on the
12 end of each year. Other than 1995, I don't see
13 any credits for any other years.

14 A. Right.

15 Q. So from 1996 on, you have not
16 received any monies back from Machne Menachem?

17 A. No.

18 Q. The last page of Exhibit 2 says
19 interest on bank loan to cover \$400,000 of loan
20 funds. Can you turn to that, please?

21 A. Yes.

22 Q. What does that represent?

23 A. These are monies that I advanced
24 from Citi Bank or European American Bank to A-One
25 Merchandising to cover the monies that I had taken

1 going to find -- in my judgment, I don't think
2 there is a separate line for the canteen on any
3 those returns that I know of.

4 MR. KELLEY: Just for clarity, there
5 was one.

6 BY MR. SANTORA:

7 Q. If you look at '98 --

8 A. Does it say canteen?

9 Q. Look at Exhibit 16.

10 A. Okay.

11 Q. I have to find it, but it's here
12 according to my notes. Your astute counsel picked
13 up on it.

14 MR. KELLEY: Page 1 of the last
15 three pages of the '98 return.

16 MR. SANTORA: There it is. Thank
17 you.

18 BY MR. SANTORA:

19 Q. Third page from the back.

20 A. Yeah.

21 Q. Canteen sales and expenses. Gross
22 sales 5,844, cost of goods sold 3,514, gross
23 profit 2,330.

24 A. Okay.

25 Q. Did a different accountant prepare

1 out and/or maybe to me personally. I have to
2 check where the loans came from, but they were
3 loans made from the bank to myself to cover the
4 advances that I made, and for that the interest
5 that I was suppose to pay the bank I charged the
6 camp.

7 Q. So, excuse me, if I understood what
8 you just said, of all the money that you have
9 loaned the corporation, 400,000 of it you went out
10 and took out an advance or a loan to get the funds
11 for it?

12 A. Right.

13 Q. And that 400,000 you're being
14 charged interest on?

15 A. Yes.

16 Q. And that interest you're now passing
17 onto the corporation?

18 A. Correct.

19 Q. These interest items is this
20 interest you've actually paid?

21 A. Yes.

22 Q. Looking again at Exhibit 18, the '99
23 tax return, in this one I did not see any income
24 reported again for the canteen.

25 A. I already said before you're not

1 the return for '98?

2 A. Same accountant.

3 Q. Do you know why he has canteen sales
4 in '98 and not in any other year?

5 A. Maybe we provided him with separate
6 -- maybe we maintained separate records for it
7 that year. I don't know. I can't answer that.

8 Q. How long does the camp run?

9 A. Eight weeks.

10 Q. And for '98 we had 200 campers?

11 A. Yes.

12 Q. You testified 200 campers?

13 A. Yes.

14 Q. So if we take -- do the kids only
15 purchase products at the canteen or do the staff
16 members do, too?

17 A. The kids -- they don't purchase all
18 their products there. The kids could spend some
19 money there. We limit the amount of money the
20 kids spend at the canteen. The kids also go
21 shopping, and they buy stuff in the Wal Mart or
22 local stores where the products are much cheaper
23 than they are at the canteen.

24 The canteen is basically a place
25 where if a staff member wants to get an extra

1 sandwich or whatever, he gets it there. We
2 provide a lot of cookouts for the staff members
3 and the campers. The canteen is not a whole big
4 business. It's not a big business at all.

5 Q. Describe the canteen for me.

6 Physically what does it look like?

7 A. The canteen is a windmill building
8 that is probably in diameter probably about 10
9 feet. It has candies, soda, maybe make some
10 sandwiches, that's it.

11 Q. Is it open everyday?

12 A. It's open certain hours everyday.

13 You can't sit in the canteen. You can buy
14 anything you want and eat it out.

15 Q. Then I assume because of its nature,
16 it's primarily a cash business?

17 A. Yes. Well, the kids will put money
18 in and they'll use it. The staff members will
19 have a bill, and it will be deducted from their
20 payroll.

21 Q. You say the kids will put money in.
22 Do they have a running account?

23 A. Yeah. They have \$20.00 and they put
24 it in and the kid has a number. He comes and he
25 buys a soda off number 20, and they deduct it.

1 the camp really gets is the deduction we make on
2 the compensation that staff members get. That's
3 the bulk of our profit.

4 Q. Does the person who runs the canteen
5 pay rent?

6 A. No.

7 Q. Is he an employee of the --

8 A. No, he just runs the canteen, and he
9 takes a certain commission or salary or commission
10 usually from what he makes. I don't know exactly
11 the setup. It's a very small part of the
12 operation, very insignificant.

13 Q. But you don't have any explanation
14 why one year it was reported --

15 A. No.

16 Q. -- and none of the others?

17 A. I think in the other years it was
18 just included in the revenue, but the fact that it
19 was reported this year shows you the kind of
20 numbers we're talking about.

21 Q. If I take the gross sales number and
22 divide it by the number of campers, I get like \$29
23 a kid for eight weeks in the canteen. Does that
24 sound right?

25 A. Could be. We don't let them buy

1 Q. Is that how all the kids do it or do
2 some kids just --

3 A. Most kids put the money into the
4 canteen.

5 Q. What type of records are kept?

6 A. Whoever runs the canteen keeps his
7 own records. At the end of the year, he lets us
8 know how much money we owe him for the staff
9 members and which staff members are owed, and he
10 gets his share of profit. If there's money left
11 over -- the camp also uses snacks for prizes, so
12 the camp owes him a bunch of money and that's it.

13 Q. Is this a third party who runs the
14 canteen?

15 A. Yeah, it's nothing. Maybe the gross
16 revenue in the canteen is 6, 7, \$8,000 maybe.
17 There's nothing there.

18 Q. There is a third party who runs the
19 canteen --

20 A. I'm talking about gross revenue not
21 profit.

22 Q. I understand.

23 A. It's usually somebody who runs the
24 canteen who maintains it as an independent
25 operation. The staff members -- the profit that

1 more than two items a day in the canteen, and a
2 lot of these kids -- see, I have kids in camp,
3 too. They take \$10 and they go to Wal Mart and
4 they buy 20 cans of coke for 20 cents a piece.
5 We're selling it for 75 cents in the camp. So why
6 would a kid spend money in the canteen.

7 Every Friday he goes shopping;
8 brings home a bag of groceries. Then we have a
9 shuttle service that goes up from the neighborhood
10 that brings the kids food everyday. So parents
11 drop off packages at my warehouse. These packages
12 get delivered to camp and the kids have it. So,
13 the kids try not to spend money in the canteen
14 because it's very unthrifty. The canteen is just
15 like a convenient shop for people who forget.

16 Q. Let me show you Spritzer Exhibit 19.

17 (At this time Spritzer Exhibit No.
18 19 was marked for identification.)

19 BY MR. SANTORA:

20 Q. You obviously have seen this before?

21 A. Yes.

22 Q. This is your mortgage?

23 A. Yes.

24 Q. The date on it, as far as the date
25 of the mortgage itself, is November 6th, 2001.

1 A. Right.

2 Q. With a filing date at Pike County of
3 November the 8th, 2001.

4 A. Right.

5 Q. Now, I'm assuming from your
6 testimony in this case and in other cases that as
7 of November of 2001 the figure of a million
8 dollars was an accumulated number of your loans?

9 A. Yes.

10 Q. Would it be fair to say that the
11 mortgage in November of 2001 was the accumulation
12 of your loans from 1995 through 2001?

13 A. Yes.

14 Q. And other than the few items that
15 are listed as credits on Page 1 of Exhibit 2 with
16 respect to 1995, all other loans for '95 and then
17 from '96 thereafter were outstanding as of the
18 date of this mortgage?

19 A. Yes.

20 Q. And the intent of this mortgage was
21 to accumulate those loans into a mortgage which
22 you then filed?

23 A. Yes.

24 Q. The upper left-hand column of Page 1
25 of Exhibit 19 says record and return William J.

1 Q. Does she have anything to do with
2 Machne Menachem, Inc.?

3 A. No.

4 Q. Could she be an employee of Mr.
5 Rice's?

6 A. Could be.

7 Q. And if we turn the page, the notary
8 is an N. Eileen Heintz. Again, can I presume that
9 was simply someone in Mr. Rice's office?

10 A. Yeah, it could be.

11 Q. Why in 2001 did you decide -- whose
12 idea was it -- strike that. Whose idea was it to
13 have the corporation give you a mortgage for the
14 past six years worth of loans?

15 A. Well, we were already talking about
16 getting a mortgage back in 1997, 1998, about
17 getting promissory notes or whatever, and we kept
18 on delaying it. In the year 2001 was when I guess
19 we decided that in order to protect the camp from
20 anybody who's going to file a lawsuit against the
21 camp and protect our money, it would be best if we
22 put a mortgage in so that we have a secure
23 position on the camp to protect the investment
24 that we made. It's a simple business decision.
25 Should have had done it many years before.

1 Rice, Esquire.

2 A. He's an attorney.

3 Q. In Milford, Pennsylvania?

4 A. Yes.

5 Q. Who did Mr. Rice work for at the
6 time this mortgage was reported?

7 A. Who did he work for?

8 Q. Who was he retained by?

9 A. I asked him to do the mortgage.

10 Q. So he prepared the mortgage?

11 A. He probably did. I'm assuming that
12 he did.

13 Q. If we look at your signature towards
14 the end -- well, strike that. If we look at the
15 signature on the mortgage, which is the third page
16 from the end, signing on behalf of Machne
17 Menachem, Inc. was Mr. Schreiber?

18 A. Right.

19 Q. As vice-president/treasurer?

20 A. Right.

21 Q. His signature is attested by a
22 Michelle O'Donnell.

23 A. Right.

24 Q. Do you know who she is?

25 A. I don't know.

1 Q. In addition to the mortgage, were
2 there promissory notes prepared?

3 A. I don't remember.

4 Q. Looking at Exhibit 2, summary of
5 your loans, there is no entry of any funds for
6 November the 6th of 2001. There is an entry of
7 October the 12th, 2001 of the \$20,000 deposit and
8 then the next one is November 27th of 2001 for a
9 \$10,000 deposit.

10 Would it be fair to say that at the
11 time this mortgage was signed that no additional
12 monies were transferred by you to the corporation?

13 A. After December 6th?

14 Q. No, as of November the 6th at the
15 time this was signed, did you transfer monies or
16 give any additional monies other than --

17 A. On the date this was signed?

18 Q. Yes.

19 A. I don't think so.

20 Q. So this mortgage was simply an
21 accumulation of the loans up through that date?

22 A. Yeah.

23 Q. How did you arrive at -- well, how
24 did you pick a million dollars even?

25 A. Well, if you take 1,131,675 and you

1 deduct from it 119, what do you have?

2 MR. KELLEY: 1,010,000.

3 BY MR. SANTORA:

4 Q. Yeah, it's not a million even. It's
5 a little bit more. I'm just trying to determine
6 how you arrived at the number.

7 A. We picked a number that was the
8 closest we were to the amount of money that was
9 owed at that time.

10 Q. At the time you had this mortgage
11 prepared, this was done at your direction?

12 A. Yes. No, no. The mortgage?

13 Q. Yes.

14 A. No, it was Schreiber and Spalter
15 before that and all of the group suggested that we
16 have to secure the money that we put into the camp
17 otherwise you have no documentation that the loan
18 is there. If something happens, God forbid,
19 you're standing there with nothing. You take a
20 mortgage on a property. You have a document that
21 supports your money.

22 Q. Was there any corporate resolution
23 reduced to writing at the time authorizing a
24 mortgage by the debtor?

25 A. I think there was.

1 Q. As a bad debt on your tax return.

2 A. No.

3 Q. You have given loans for which you
4 have charged no interest?

5 A. Yes.

6 Q. Have you on your individual tax
7 returns been what we call imputed any interest for
8 the loans outstanding? Do you know what I mean by
9 that?

10 A. You mean --

11 Q. Charged.

12 A. -- phantomly charged interest?

13 Q. Yes. That's a good word for it.

14 A. How would I do that?

15 Q. Let me try to explain it to you.

16 A. Because whatever I would have made
17 on the interest, I'm deducting, so where do I gain
18 on the tax return?

19 Q. No, you misunderstood my question.

20 You have given loans to the corporation, and by
21 virtue of Jewish Law, as I understand it, you have
22 not charged interest on the loans?

23 A. Right.

24 Q. To the corporation, correct?

25 A. Right.

1 Q. Do you know where it is?

2 A. You should have gotten the
3 resolution. There should be a resolution
4 someplace. I think I saw a resolution. If there
5 is a mortgage, there should be a corporate
6 resolution for this. Definitely a resolution to
7 this.

8 Q. And who would have been the
9 directors who voted on that resolution?

10 A. Schreiber and myself.

11 Q. Anyone else?

12 A. Not that I recall.

13 Q. It would not have included either
14 Misters Goldman, Heber or Hershkop?

15 A. They were prevented from being
16 involved in the camp by Judge Lasher (sic). We
17 couldn't include them in anything.

18 Q. So, the answer to my question is,
19 no, it did not include them?

20 A. No.

21 Q. With respect to your individual tax
22 returns, have you written off as a bad debt any
23 portion of the outstanding loans?

24 A. Never. Where would I write this
25 off?

1 Q. And my first question was have you
2 written off any amount of the loan as a bad debt
3 on your tax returns, and you said, no. My second
4 question was do you know in your tax returns has
5 any interest -- have you been charged with any
6 interest despite the fact that you haven't charged
7 interest to Machne Menachem? The IRS assumes that
8 when money is lent there is an interest factor
9 built in. Whether or not you claim it, the IRS
10 charges you with it.

11 A. I never included any kind of
12 interest on any of those loans anywhere.

13 Q. This mortgage is dated November the
14 6th of 2001, and the bankruptcy for Machne
15 Menachem was filed on December the 6th, 2001, so
16 exactly 30 days later.

17 A. Right.

18 Q. And Machne Menachem's bankruptcy was
19 filed through Attorney Brian Manning locally?

20 A. Yes.

21 Q. When did you first consult with Mr.
22 Manning with respect to the possibility of filing
23 a bankruptcy?

24 A. I don't have the exact date.

25 Q. Was it on December 6th or was it

1 some time prior?

2 A. It could have been only a couple of
3 days before that. I'm not sure. I really can't
4 give you an exact date, but I don't think -- we
5 were discussing the concept. We met with other
6 people in reference to what our possibilities are
7 in the area here. I don't remember exactly the
8 names, but exactly when we met Brian Manning and
9 signed it, I don't know.

10 Q. Was Mr. Manning the first potential
11 bankruptcy lawyer you met with?

12 A. No.

13 Q. Were there lawyers that you met with
14 concerning the possibility of filing a bankruptcy
15 before you met with Mr. Manning?

16 A. Yes.

17 MR. KELLEY: I'm going to object.

18 We're heading down towards privilege --

19 MR. SANTORA: I haven't asked the
20 substance just whether or not he retained
21 anybody.

22 MR. KELLEY: I didn't know if you
23 were going to.

24 MR. SANTORA: And I won't.

25 BY MR. SANTORA:

1 A. Yes.

2 Q. I assumed that resolution -- because
3 I recognize it -- was prepared by Mr. Manning's
4 office?

5 A. I can't tell you.

6 Q. So, at least as of that date,
7 November 29th --

8 A. Why do you think he prepared it? I
9 think we prepared it. He may have told us what we
10 have to include.

11 Q. That's fair enough, because I
12 recognize it as a form that he uses or language he
13 uses to authorize the 11.

14 A. I think we prepared this. I'm not
15 sure.

16 Q. Well, I won't ask you. But this
17 resolution, whoever prepared it, Mr. Schreiber
18 signed, and it reflects a meeting of the board for
19 November 29th of 2001.

20 A. Okay.

21 Q. So, at least as of November 29th
22 there was a decision to file bankruptcy?

23 A. Right.

24 Q. And that would have been three weeks
25 after the recording of your mortgage?

1 Q. What I'm trying to get at, Mr.
2 Spritzer, is timing. On November the 6th there is
3 a mortgage that the debtor gives you for a million
4 dollars, which you have admitted is to evidence an
5 accumulation of loans from '95 through that given
6 month.

7 A. Yeah.

8 Q. 30 days thereafter the company files
9 Chapter 11. What I'm trying to also determine is
10 when the decision was made to file the Chapter 11,
11 and I'm assuming it was sometime prior to December
12 the 6th. In fairness, Mr. Manning had these
13 documents typed up and prepared and filed that
14 day, and knowing Mr. Manning, I'm sure he would
15 have discussed this with you prior to filing.

16 A. We may have met with Manning a
17 couple of days, a few days before December 6th. I
18 don't think it was lot of time from the time we
19 met Manning until the time we actually filed a
20 bankruptcy.

21 Q. Attached to the schedules is a
22 corporate resolution authorizing the bankruptcy
23 filing and that's dated November 29th of 2001.

24 A. Yes.

25 Q. Do you see that?

1 A. Right.

2 Q. You're not sure if there was an
3 underlying promissory note or notes prepared?

4 A. I'm not sure. There could have been
5 a resolution to that. There was definitely more
6 than just a mortgage.

7 Q. I may have asked you this, and if I
8 did I apologize, but each and every time for each
9 year there were loans or advances made by you to
10 the corporation, was there a discussion with the
11 board members as to whether or not you would make
12 the loans?

13 A. Not for each individual loan. On
14 the overall question, yes. We discussed that the
15 camp doesn't make enough money that we need to
16 operate. I need to put in money to cover these
17 things. It's agreed starting from 1995 on.

18 Q. And did you ever sit down with the
19 other directors at any given time from '95 through
20 the date of the mortgage to reconcile what your
21 outstanding balance on the loan was?

22 A. Yeah, there could have been
23 discussions.

24 Q. Were there ever any discussions as
25 to when the loans were to be repaid?

1 A. I guess one of two things can
2 happen: I need the money or the camp has the
3 money.

4 Q. At the time you made the loans, what
5 was your understanding or expectation as to when
6 the loan would be repaid?

7 A. My hope was that I wouldn't need the
8 money and that I would be able to let the
9 corporation use the loan for as long as they
10 needed it.

11 Q. So you had no expectation about when
12 you would get repaid?

13 A. I really didn't think about it.

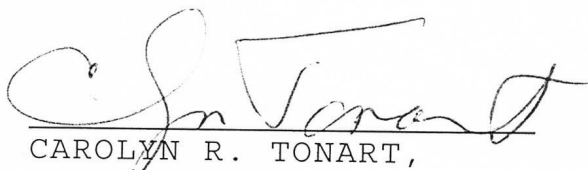
14 MR. SANTORA: Let me take a break
15 and talk to your counsel, if I may.

16
17 (At this time the hearing in the
18 above-captioned case was continued.)
19
20
21
22
23
24
25

C E R T I F I C A T E

I hereby certify that the proceedings are a true and accurate transcript of the Deposition of said deponent, who was duly sworn on the date and place set forth.

I further certify that I am not an attorney nor counsel for, related to or employed by any of the parties to the aforementioned action. I am not a relative or employee of any attorney or counsel employed in this action nor have any financial interest either directly or indirectly.



CAROLYN R. TONART,
Notary Public