

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

UNITES STATES OF AMERICA,

Plaintiff,

-against-

SAMUEL ISRAEL, III,

Defendant.

ROBERT B. NICHOLS and ELLEN
M. NICHOLS,

Petitioners.

BAYOU MANAGEMENT LLC,

Plaintiff,

-against-

ROBERT B. NICHOLS, ELLEN M. NICHOLS,
SAMUEL ISRAEL, III, and JOHN
DOES 1-5,

Defendants.

Case No.
05 Cr.1039 (CM)

Case No.
08 Civ.6036(CM)

VIDEOTAPE DEPOSITION of ROBERT B. NICHOLS,
taken by Plaintiff at the United States Attorney's
Office, 1 St. Andrew's Plaza, New York, New York
10007, on Tuesday, December 16, 2008 commencing at
9:50 o'clock a.m., before Janine Figliozi, a
Shorthand (Stenotype) Reporter and Notary Public
within and for the State of New York.

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

UNITED STATES DEPARTMENT OF JUSTICE
United States Attorney's Office
Attorneys for Plaintiff
1 St. Andrew's Plaza
New York, New York 10007

BY: JEFF ALBERTS, Esq., of Counsel

SMITH, GAMBRELL & RUSSELL, LLP
Attorneys for Witness
26 Broadway
New York, New York 10004

BY: J. JOSEPH BAINTON, Esq., of Counsel

SIMONE & ROOS
Attorneys for Witness
3530 Wilshire Boulevard
Los Angeles, California 90010

BY: MARTIN SIMONE, Esq., of Counsel

DECHERT, LLP
Attorneys for Bayou Management
1095 Avenue of the Americas
New York, New York 10036

BY: GARY J. MENNITT, Esq., of Counsel
JONATHAN D. PERRY, Esq., of Counsel

ALSO PRESENT:

Jay F. Kramer, Esq., Federal Bureau of Investigation
Christopher Kim, Esq., Federal Bureau of Investigation
S.A. Carl A. Catauro, Federal Bureau of Investigation

1
2 THE VIDEOGRAPHER: We're going
3 on the record. The time is 9:47 on
4 December 16, 2008. This is the
5 videotaped deposition of Robert
6 Nichols in the matter of the United
7 States of America versus Samuel
8 Israel, III, Defendant, Robert B.
9 Nichols and Ellen M. Nichols,
10 Petitioners, also the civil case of
11 Bayou Management, LLC against Robert
12 Nichols, Ellen Nichols, Samuel Israel,
13 III and John Does 1-5, under the
14 jurisdiction of the United States
15 District Court, Southern District of
16 New York.

17 This deposition is being held
18 at 1 Saint Andrew's Plaza, New York,
19 New York. My name is Kevin Brooks,
20 and I am the video specialist. The
21 court reporter is Janine Figliozi and
22 we represent Fink & Carney Reporting
23 with offices located at 39 West 37th
24 Street, New York, New York.

25 May I have an introduction

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

from counsel present, please?

MR. ANBINDER: Assistant U.S.
Attorney Jeff Alberts representing the
United States.

MR. BAINTON: J. Joseph
Bainton and Martin Simone representing
Mr. Nichols.

MR. MENNITT: Gary Mennitt and
John Perry representing Bayou
Management, LLC.

THE TRIAL OFFICER: Thank you.
Will the court reporter please
swear in the witness?

R O B E R T B . N I C H O L S, called as a
witness, having been first duly sworn by
Janine Figliozzi a Notary Public within and
for the State of New York, was examined and
testified as follows:

DIRECT EXAMINATION BY MR. ALBERTS:

Q Could you please state your full
name and home address for the record?

A Robert Booth Nichols.

Q My name is Jeff Alberts. I am an
assistant United States Attorney here in the

Nichols

Southern District of New York. I represent the United States of America in this action.

Before I start asking you questions, there is a couple of stipulations that I just want to mention for the record.

MR. ALBERTS: The government would propose the parties enter into stipulations to waive filing and sealing of the deposition, that objections except as to form be reserved for trial, that the deposition may be sworn to before any notary public with the same force and effect as if sworn before a judge, that we waive signing of a transcript by a court reporter and stipulate the transcript to be certified by the court reporter, that copies of documents be substituted for originals, that that would be acceptable to both parties. Finally, that the entire transcript and the documents that are used as exhibits initially be sealed.

1 Nichols

2 MR. BAINTON: That's certainly
3 acceptable to us, but may I inquire if
4 the court reporter has noted the
5 appearance of the three gentlemen
6 seated behind me? You have? Great.
7 Thank you.

8 MR. MENNITT: Bayou
9 Management, LLC. also so stipulates.

10 BY MR. ALBERTS:

11 Q Have you ever testified at a
12 deposition before?

13 A Yes.

14 Q When have you testified at a
15 deposition?

16 A I don't understand the question.
17 When? Location?

18 Q When, time?

19 A It would have to be approximate.

20 Q That's fine. What is the
21 approximate time at which you were last deposed?

22 A 1997.

23 Q Prior to that were you ever deposed?

24 A No.

25 Q Here's how the deposition works. I

Nichols

am going to ask you questions and you are going to answer them. My questions will be noted by the court reporter and your responses to be written down by the court reporter. Because of that, it's important that you respond orally to my questions, so merely nodding isn't sufficient. She needs to be able to write down what you are saying.

In addition, as you have observed, there is going to be a videotape of this recording, so the statements you make will also be recorded by a videographer.

If at any point you don't hear my questions or you don't understand my questions, just let me know and I will do my best to help explain the question to you. If you need me to rephrase it, I can rephrase it.

I see that your attorney Mr. Bainton is here. There may be times when I ask you questions and he makes an objection. Now, after he makes an objection, you still need to answer the question that I asked you, unless your counsel specifically directs you not to answer the question. Do you understand that?

A Yes.

Nichols

Q I also ask that if a question is pending, you answer my question rather than consult with your counsel while that question is pending. However, if at any point you become tired or need to take a break, we can do that. Do you understand that?

A Yes.

Q Are you comfortable today? Are you comfortable here today? Are you all right answering --

A That is a question that's relative. I'd rather be somewhere else, but I'm not in pain, if that's what the question is.

Q Have you had any alcoholic beverages recently?

A No.

Q Any illegal narcotics within the last week?

A No.

Q Is there any reason that you can't answer truthfully the questions that I ask you here today?

A Not to my knowledge.

Q Are you currently taking any

Nichols

medications at all?

A I take a blood pressure pill and,
when required, a tranquilizer pill.

Q Have you taken a tranquilizer pill
recently?

A Not today.

Q I'm sorry. Could you repeat that
response?

A Not today.

Q What did you do to prepare for
today's deposition?

A I didn't do anything.

Q Did you speak with anyone in
preparation for the deposition?

A Just my attorneys.

Q Anyone other than your attorneys?

A Not concerning the deposition.

Q Did you review any documents in
preparation for this deposition?

A I did not.

Q Did you bring any documents here
today?

A No, I did not.

Q Have you discussed this litigation

Nichols

with anyone else?

A Yes, I have.

Q With whom?

A You mean besides the attorneys?

Q Yes.

A With my wife. I would have to think about that to respond to it properly.

Q What's your wife's name?

A Ellen.

Q What is her full name?

A Ellen Marie Nichols.

Q When did you marry her?

A May 22, 1974.

Q Other than your wife have you discussed this litigation with anyone else?

A I have discussed it with others, but I would have to think about who. I cannot just answer you a straight direct list of people.

Q Can you think of anyone else right now?

A When you say discussed, commented on? I don't understand the question exactly. You mean commented?

Q Discussed in any way, commented on,

Nichols

asked questions about, any type of discussion that concerned or mentioned this litigation.

A I mentioned to my wife's mother and father. I have mentioned to Martin's wife. I have -- I am trying to think who I discussed or mentioned it to. I have said to several people I am being sued, but I can't recall precisely whom at the moment. I know I have mentioned it to people, but I can't recall at this moment the names of the people I have mentioned it to.

Q Are you currently employed?

A I am not employed currently.

Q When were you last employed?

A To Sam Israel was my last employment.

Q Who was your employer?

A Sam Israel.

Q When were you last employed by Sam Israel?

A I met Sam Israel in April of 2004 and he retained me for -- to accomplish an objective of his about two months later, three months later, possibly in July, I believe.

Q We'll get back to that. Quickly, I

Nichols

just want to know have you ever been involved in any lawsuits prior to the lawsuits for which you are being deposed here today?

A Is the question have I been sued before?

Q Have you ever been a party to a lawsuit? In other words, have you ever sued someone, been sued, intervened, in any way been a party to a lawsuit?

A Yes.

Q When was that?

A In approximately 1987, I would say, I sued the Los Angeles Police Department to -- and you want me to name both -- there were two cases.

Q Sure. What was the other case?

A And the other case was I sued an FBI agent -- an FBI agent and his partner, I guess. I don't know, an FBI agent.

Q When was that?

A Approximately 1988, I believe.

Q And for what did you sue the Los Angeles Police Department?

A For holding me -- I mean, I don't know how to describe it. I'd have to -- this I

Nichols

1
2 have a problem with. I mean, I don't know
3 specifically the legal terminology concerning the
4 litigation, so I can only describe the
5 circumstances, but I cannot describe precisely
6 what the lawsuit would have stated at the time.

7 Q What is your general understanding
8 of the lawsuit?

9 A That they detained me illegally or
10 extra-legally, I will say, for no reason and then
11 stated that I was not under arrest, that it was
12 just a normal -- a normal procedure on their part.

13 Q What was the outcome of that
14 litigation?

15 A I did not win the case.

16 Q Do you recall if the Court dismissed
17 the case?

18 A If it -- I don't understand the
19 question. If the Court dismissed it -- I mean,
20 the case terminated, so I assume it was dismissed.

21 Q Do you know if this was in federal
22 court?

23 A No, it was in city court.

24 Q Did you testify at all in connection
25 with that litigation?

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A Yes, I did.

Q Where did you testify?

A In Glendale, California and in
Burbank, California.

Q Was this at a trial or was it at a
deposition?

A At a trial.

Q Now, the other suit that you
mentioned where you sued an FBI agent --

A Yes?

Q -- what were the general
circumstances behind that litigation?

A He had -- made statements that I was
a member of the Gambia or some -- I think Gambia
crime family.

Q What was the outcome of the
litigation?

A It went to the Ninth Circuit -- they
said you could not sue an FBI agent -- this is my
understanding. Then it went to the Ninth Circuit
and they said you could sue the agent. And then
it came back to it and they said you couldn't sue,
the judge and then it went back and said you could
sue it. I mean, this is when I would have to

Nichols

ask -- may I ask?

Q You can go ahead and answer the question -- your recollection --

A I mean, that's all I understand about the whole case. I was never in court or in trial or it didn't go anywhere where I ever sat down or was deposed or anything like that.

Q So you never recovered any money in connection with the lawsuit; is that correct?

A I didn't ask for any money.

Q Did you obtain a final judgment or ruling from the Court in connection with that lawsuit?

A I do not know.

Q Did you graduate from high school?

A Yes, I did.

Q What high school did you graduate from?

A Hollywood Professional School.

Q Did you go to college?

A Approximately a year, year and a half.

Q What college did you go to?

A Glendale -- Glendale College, junior

Nichols

college, Glendale Junior College.

Q When was this that you attended
Glendale Junior College?

A When I was approximately 18, 19.

Q Did you obtain any type of degree?

A No.

Q Why did you leave Glendale Junior
College?

A I was bored.

Q Did you hold a job while you were at
Glendale Junior College?

A Yes, I did.

Q What job was that?

A I worked for a company called
General Controls and --

Q What did you do?

A I tested circuitry on various
devices that they were doing. They were into
electronics.

Q For how long did you work at General
Controls?

A I can't be sure.

Q Was it more than ten years?

A No.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Nichols

Q What did you do after -- withdrawn.

Were you ever employed after working
at General Controls?

A Yes.

Q What was your next employment after
working at General Controls?

A I worked at an air conditioning
company.

Q How long did you work there?

A I can't be sure, but I would say
approximately two years, year and a half, two
years.

Q Where were you employed after that?

A I worked construction.

Q Did you have a specific employer?
Was this freelance work?

A I had a specific employer. I don't
recall the name of the employer.

Q How long did you work construction?

A Probably six months. That's not
certain. That's just my recollection.

Q What was your next employment after
that?

A I worked in a security alarm

Nichols

company.

Q For how long?

A I would -- approximately a year or two, something like that.

Q What did you do at the company?

A I was in sales. I had an installation with regard to security and electronic devices.

Q What was your next employment after that?

A I worked for parties that claimed to be with or stated they were with U.S. intelligence.

Q When did you first start working for these parties?

A I do not know the precise date or the time. I can approximate.

Q What is your best recollection when that was?

A When I was approximately 22, 23, something like that.

Q What were the names of these parties?

A Those that I recall, some I remember

Nichols

first names, some last names. Is that good enough for you?

Q Well, I guess we'll step back. More generally, did these parties say they worked for a company or an agency?

A Yes.

Q What was the agency or company?

A One of said the Central Intelligence Agency, another said military intelligence and others -- I don't recall what particular --

Q What did you do while working for these people?

A Achieved objectives that they set out for me.

Q What were the objectives?

A They were multiple. Do you want me to start with what I recall?

Q Sure.

A The first one was when I first met them was to speak with a woman who stayed at the Surf Rider Hotel and find out why she was in Honolulu and who she was seeing and have cocktails with her, if possible.

Q What was the next one after that?

Nichols

A A Chinese woman that was in Honolulu that stayed at the Princess Kalani Hotel and to see who she was seeing and what she was doing.

Q What was the next one after that?

A A trip to Australia to see who was speaking, to my best recollection, and negative -- when I say negative, to see who they felt were being anti-American interest in an area that was formally an R and R location, Sydney, for U.S. Forces.

Q How did these people pay you?

A Cash.

Q How much did they pay you?

A Different amounts each time.

Q How much per year did you get?

A Pardon me?

Q How much were you paid per year?

A It varied. I cannot say how much.

Q For how many years did you work for these people?

A This specific -- the people specifically here?

Q The people that you just have been discussing.

Nichols

A Two, three years, those specific individuals.

Q How much were you paid over those two or three years?

A It depended on what the objective was. Sometimes they gave me 5,000, sometimes 25,000. They gave me money for overhead, travel and I lived on the surplus.

Q Approximately how much did they pay you total over that period of time?

A I would be guessing.

Q Was it more than a million dollars?

A No.

Q Was more than \$100,000?

A Yes, in my opinion, to my memory.

Q Was it more than \$300,000?

A I would be guessing.

Q What was your next employer after these three individuals -- I'm sorry, withdrawn.

What was the total number of individuals for whom you were working?

A I said there were several and I don't recall precisely the names. I remember the names of some of them and I do not -- I remember

Nichols

partial names like a first name or a last name
or -- a rank, but I do not remember all of them.
I cannot remember all the parties involved.

Q Just to be clear, you weren't -- you
were not personally involved by any government
agency at that time, correct?

MR. BAINTON: Objection.

You can answer.

Q Let me rephrase. Were you employed
by a government agency at that time?

A I received funds from those that
claimed to be with government intelligence.

Q Did you think at that time that you
were an employee of a government intelligence
agency?

A I did not. I thought that I was a
person that was facilitating their objective and
they were paying for it.

Q After you worked for the several
people who you just mentioned, what was your next
employer?

A Pretty much throughout from that
time to now it's been the same type of
relationship on and off. When I say now, I mean

1 Nichols

2 since the last year or so.

3 Q Just to be clear, since you were 22
4 or 23 years old to the present date your primary
5 way of making money was to be employed by people
6 who came to be associated with government
7 intelligence?

8 A That's correct.

9 Q What was the next group of people
10 associated with government intelligence that you
11 worked with after the group that you just
12 mentioned?

13 A I cannot -- I cannot put them in
14 sequence. I cannot sequentially put my life with
15 this type -- with my involvements sequentially.
16 And I believe that's -- I believe that's the way
17 you are asking the question. When you say next --

18 Q You mentioned that you were employed
19 by Samuel Israel, correct?

20 A That's my definition by relationship
21 with Samuel Israel, yes.

22 Q After that time did you ever do any
23 work for anybody who claimed to be with government
24 intelligence?

25 A Work being defined as compensated

Nichols

for something?

Q Sure.

A I don't recall at this moment. I just can't specifically say yes or no to that.

Q Okay. From 2004 until today what have been your sources of income?

A From 2004 to today I have basically lived off the funds that I made from Sam Israel.

Q Were there any other sources of income during that time period for you?

A I -- to my memory, no. I have declined involvement to my memory with anything other than that from the time of Sam Israel to this date.

Q Have you made any money on the investments that you have had?

A Concerning -- no. You mean concerning the Sam Israel relationship?

Q No. I am just trying to generally understand where you get the money that you live on, so I am asking whether you have had any investments that have yielded profits or returns --

A No.

Nichols

Q Okay. Do you have any savings other than the money from Sam Israel?

A Savings? You mean, do I have any money other than the money from Sam Israel?

Q Yeah.

A I'd have to think about that. I can't be sure. I would have to look at it and see is this something from Sam Israel or is it not or something like that. I mean, do I have something isolated not commingled with the Sam Israel involvement? I can't be sure on that type of answer. I don't know.

Q Is it accurate to say you don't know sitting here today whether any accounts that you have, have funds from sources other than Sam Israel?

A I am saying because it could possibly be commingled with funds that are other than Sam Israel it's a difficult question for me to answer. So when you ask me, do you have any other savings or funds other than Sam Israel, if they are in the same account or commingled with some other funds I don't know at this time. I would have to -- I'd have to research it.

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q Let's break it down. Do you have any accounts at financial institutions that contain funds none of which came from Sam Israel?

A Yes.

Q How many?

A How many?

Q How many accounts?

A I can think of one, but I can't be sure there is not another. I don't know because there could be an account sitting there for years that I am not -- I don't -- I can't think of.

Q What is that account? At what financial institution is it held?

A It would be Commonwealth Bank of Australia.

Q How much money is in the account?

A I do not know.

Q Approximately?

A I'd be guessing. I'll say \$20,000.

Q In whose name is the account held?

A My name is and my wife's name.

Q What is the source of those funds?

A They would have come from an involvement I had that I do not know which one it

Nichols

would have been.

Q You don't know what you did to earn the funds in those accounts?

A Not specifically, no.

Q Was it generally some kind of contracting work for an intelligence agency?

A Or something related thereto.

Q Do you have any rental properties?

A Did I rent?

Q Yes.

A That I am renting or am renting out?

Q I will rephrase the question. Do you rent out any properties?

A I rent a piece of property that I am a partial owner of to a -- to someone, yes.

Q Where is the property located?

A In Queensland, Australia.

Q How much rent are you paid?

A How much rent am I paid?

Q Uh-huh.

A A dollar a month.

Q Who is the person that pays you a dollar a month?

A His name is Bruce Zelinski.

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q How do you spell the last name?

A I would be guessing,
Z-E-L-I-N-S-K-I.

Q Do you have any other properties
that you rent out?

A No.

Q Other than the sources of income
that we have discussed, have you had any other
sources of income between 2004 and today?

A I have had a few checks, yes, for
residuals or whatever. I don't know the proper
nomenclature, but residuals from something.

Q From what?

A A motion picture that I was the
technical adviser on in 1992.

Q What is that motion picture?

A Under Siege. Possibly '93. I'm not
sure.

Q How much a year do you receive in
residuals from that motion picture?

A I believe it's something in the
neighborhood of \$8 to \$10 a year or something like
that, maybe more often, maybe quarterly.

Q Do you receive any benefits from

Nichols

federal, state or local governments?

A No.

Q So Medicaid or Medicare?

A No.

Q What was your total income for 2004?

A I don't believe I had any other income than the -- than what the Sam Israel and the residual checks and the renter paid. I can't be sure, though.

Q Is it your understanding that your income in 2004 was approximately \$10.001 million or -- let me rephrase that just to be clear.

Your income was less than \$10,000 over \$10 million in 2004; is that correct?

MR. BAINTON: Objection.

You can answer.

Q Well, withdrawn.

A Less than \$10,000?

Q Let me rephrase it. I don't want it to be ambiguous at all.

What is your understanding of what your approximate personal income was in the year 2004?

A Approximate at something around \$10

Nichols

million.

Q In 2005?

A I believe that the funds -- I don't believe that I had anything other than what I have stated to you as income from the Sam Israel thing. I have not done anything to my memory that I can think of at this moment.

Q Would it be accurate to say that from 2005 to the present each year you have earned less than a thousand dollars?

A From 2005 to the present? As I -- I can not be positive, but at this moment I would say that's correct.

Q Do you have an accountant?

A I have an -- I have people that do accounting, yes.

Q What are their names?

A I don't know. I would have to ask.

Q Who would you ask to find that out?

A My attorney.

Q Do you know the name of the company that does the accounting work?

A Not as I sit here, no.

Q So is it fair to say that your

Nichols

attorney Martin Simone goes out and finds an accountant and arranges to have the accounting work done on your behalf?

MR. BAINTON: Objection.

Q You can answer.

A I would say that Martin Simone recommended an accountant that handled certain things for me, yes.

Q Did you meet personally with the accountant?

A I have met the accountant, yes. I believe I have met the accountant. I can't say -- I have met people in the office, but I don't know if I have met the specific accountant, but I have met accountants and the office that does the accounting.

Q Did the office have a name; do you recall?

A It had a name. I recall that.

Q But you don't recall the name?

A That's correct.

Q Where is it located?

A It's in Encino, California, I believe.

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q If you wanted to get your accounting records, how would you do it?

A I would ask for them, I believe.

Q Who would you ask?

A I would ask the accountant for whatever records I had there concerning me and I would find out who the accountant was that handled it. That's how I would approach it.

Q How would you contact the accountant, given that you don't know the name of the -- the accountant's name?

A I would ask my wife or Martin Simone what's the accountant's name that has handled anything for me.

Q You mentioned that in 2004 you had personal income of over \$10 million. Did you file any tax return for that money?

A No.

Q Did you intentionally not file a tax return for that money?

A That's correct.

Q Did you pay taxes for that money?

A I pay taxes when I am told to pay taxes and I have been told not to do anything

Nichols

concerning anything of my involvements unless I am instructed to.

Q Who told you not to pay?

A I have been told by various people.

Q After you received the \$10 million, did somebody tell you not to pay taxes on it?

A They told me they would tell me when I was to pay taxes and what I was to pay taxes on. They said they did not want anything mentioned about my involvements.

Q I don't think you answered my question. After you received the \$10 million in 2004, did anyone tell you not to pay taxes on that money?

A No, they did not.

Q Did you consult with anyone on whether or not you should pay taxes?

A Not on that specific -- that specific amount, but I have stated I believe what I have been told always. I would be told what to pay taxes on.

Q Did your accountant mention to you that because you made \$10 million you might have to pay taxes?

Nichols

A The accountant was handling something that was from -- as a result of the \$10 million that the money went out and required taxes paid. I am speaking not a personal thing, but something else.

Q Who has told you not to pay taxes, if anyone?

A The names?

Q Yes.

A Francis Driscoll.

Q Could you spell the first name?

A Francis or Frank, F-R-A-N-K, Xavier, Driscoll.

Q When did he tell you this?

A Nineteen -- approximately 1977, '78, something like that, '76.

Q Who else has told you not -- before me move off of Frank Driscoll, after 1977 did he ever tell you not to pay taxes?

A Repeatedly.

Q When did he most recently tell you not to pay taxes?

A He told me -- he did -- to answer this, I have to say again that he told me to pay

Nichols

taxes if I were instructed to pay taxes on something, otherwise I was not to in any way discuss what I was involved in and that included paying taxes on it. That's the only way I can describe it.

Q When did he most recently tell you this?

A Probably '92 or something, '90 -- this is a guess.

Q Who else told you not to pay taxes, if anyone?

A Colonel James Myler.

Q What is the last name, could you spell it?

A M-Y-L-E-R.

Q When did he most recently tell you not to pay taxes?

A That was back in the '70s also. I don't know specifically the time.

Q Was there any time later than the 1970s that Colonel James Myler told you not to pay taxes?

A No.

Q Did anyone else tell you not to pay

Nichols

taxes?

A I was told not to file, not to mention what I was involved in and I would never be bothered, and I was told this also by Harry Fair.

Q Could you spell the last name?

A F-A-I-R.

Q When did he tell you this?

A Approximately 1983, '84.

Q When most recently did he tell you this?

A That was the last time.

Q Just to be clear, what did he tell you about paying taxes?

A He told me I was involved in projects that were sensitive, of an extremely sensitive nature. He said he did not want these projects nor any of the electronics, engineering or any part of them ever reaching the public and I was -- I would never be bothered and to proceed with my life and do not file.

And I asked repeatedly what should I do about this. You pay me, what do I do? You will never be bothered by the United States

Nichols

government. You keep what you do private and never let this reach the United States -- never let the things you are involved in reach the public. They are national security matters. That's what he told me.

Q By never be bothered you mean never be asked to pay your personal income taxes?

A Never be bothered in any way by the United States government. You will never be bothered. Obviously, that is not the case, is it?

Q Did you understand that what he told you that he was telling you, you did not have to pay personal income taxes?

A I understood it very clearly that I was not to pay them and I was not to discuss what I was involved with and, again, I am repetitive, he said because the projects you are involved in your job is to make sure they never reach the public. They are very, very sensitive and they are very much -- they would be very much against the national interest of this country if they ever reached the public. That's what I was told.

Q Other than Frank Driscoll, Colonel James Myler and Harry Fair, did anyone else tell

Nichols

you not to pay taxes?

A I have discussions with this with Adrian Perry, Admiral. I have had discussions with Al Rankin, Fleet Ballistic Missiles, discussions with Peter Zackowski, NATO and Sole Source Armament to Picatinny Arsenal and Rock Island Arsenal on 155 caseless rounds. I have had discussions with it with James Hacker, worldwide chief of security, Hewlett-Packard, discussions with David Packard of Hewlett-Packard. I have had discussions with it with multiple other parties. If I can sit and think about it, if you would like me to continue, I will.

Q Just to be clear, all of these people told you, you didn't have to pay your taxes?

A All of these people told me that I was to not in any way disclose what I was involved in and the things that I was paid for and that included not filing taxes. And I state very clearly to you as the government I asked repeatedly should I file taxes.

Q Who is Frank Xavier Driscoll?

A Pardon me?

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q Who is Frank Xavier Driscoll?

A Francis Xavier Driscoll.

Q What is his employment?

A He is an attorney. He represented himself to be a member of U.S. intelligence.

Q What branch of U.S. intelligence?

A I believe he would be with the Central Intelligence Agency, but I have no way of verifying background.

Q Why do you believe he is with the CIA?

A Because most of the time in conversation that he had around me were with Frank Carlucci who was with the CIA.

Q How do you know Frank Carlucci was with the CIA?

A Because I read it.

Q Where did you read it?

A In various documents that had seals on them and little eagles on them and little things on them that say CIA. And his name was involved in the body or in the body of the document.

Q Where did you obtain these

Nichols

documents?

A I didn't obtain them. I read them.

Q Where did you read them?

A Various files on briefings and things that I read that I looked at it. I read it and I saw the names on them.

Q Is it fair to say Frank Carlucci gave you some documents with little eagles on them and from that you inferred that he worked at the CIA?

A No, I said Francis Driscoll gave me the documents and Frank Carlucci's name was in the body of the documents.

Q How about Colonel James Myler, is he really a colonel?

A He stated he was a colonel with U.S. military intelligence. I do not have access to that database, so I could not verify it.

Q Do you know what branch of military intelligence?

A Army.

Q Harry Fair, what was his connection to military intelligence, if any?

A He was more ordinance oriented in

Nichols

the intelligence field. He was with tactical technology, Arlington, Virginia also DARPA.

Q Why did you think he was with DARPA?

A Because he said he was. And he was described as being with DARPA by others to me.

Q Between the time when you started working for these people that you understood were associated with military intelligence to the present, what was the most you ever were paid in a year for the projects you worked on?

MR. BAINTON: Excuse me, objection to form.

You can answer.

A I don't know.

Q In your entire life, what is the most you were ever paid in a year?

A You want me to guess?

Q Do you know the answer?

A Not specifically.

Q Was it more than \$10 million?

A No.

Q Did you ever make more than \$1 million in a year excluding the year that Sam Israel paid you \$10 million?

Nichols

A Make means receiving completely myself or make is the word from you -- not make. I did not make more than a million dollars.

Q I will rephrase the question. Did you ever receive more than \$1 million in income in any year other than 2004?

A I can't be sure because I would have to -- I don't understand how to answer that correctly. I would have to ask a question or two on that.

Q What do you not understand?

A If X amount comes in and the overhead on an objective or a project is X amount and that is spent by you to achieve the objective and this amount was more than a million dollars, and it -- let's say you reaped \$500,000 out of it, was that million dollars or more than a million dollars you handled considered income to you even though you spent it back out to achieve the objective? That's what I don't understand. In other words, are you speaking a net amount, are you speaking a gross amount coming through or an amount that is -- you know, you netted out of a particular undertaking?

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q Did you ever net income of more than a million dollars in any year other than 2004?

A I don't believe so, no.

Q Did you ever net more than a hundred thousand dollars in any year other than 2004?

A Yes.

Q Approximately how much was the most you ever netted in personal income?

A It would be guessing. Several hundred thousand dollars.

Q When was this?

A It was '82 -- I am approximating, '82, '83, '84, that period.

Q Who paid you this money?

A These funds were provided by an entity called Fedco.

Q What did you do for Fedco?

A I was involved with them jointly and several other parties in the development of the fuel air explosive.

Q Is Fedco a --

MR. BAINTON: Did you say fuel air?

THE WITNESS: Fuel air

Nichols

explosive.

MR. BAINTON: That's two words, Madam Reporter, fuel, air.

Q Is Fedco a private company?

A I don't know what it is. This is what the unit was called. I can only say who was in the particular group that I was involved with.

Q Were you paid in cash?

A Yes.

Q Were you paid in actual physical dollar bills?

A Most of the time.

Q Would they come in -- how would they be bundled together?

A Couriers, usually.

Q Couriers would bring you like a sack of bills?

A A briefcase or something of that nature, that's correct, in various countries.

Q How many bank accounts do you have right now?

A I don't know.

Q Is it more than ten?

A I don't know.

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q Do you have any U.S. bank accounts?

A Yes.

Q How many U.S. bank accounts do you have?

A I am guessing, but I'd say four.

Q At the end of each year, do these accounts send you tax reports?

A Never, no.

Q They don't tell you how much interest you earn in a year?

A I receive nothing from tax -- they're demand accounts or current accounts.

Q Have you ever had an account that earned interest?

A Probably, but I can't think of one. I always kept funds in a demand account or a current account.

Q Why did you think that the services that you provided to Sam Israel you wouldn't have to pay taxes on?

A Because I was told going back to the '80s by various parties including Mr. Driscoll and others about those particular boxes, and I have heard this from many sources, these particular

Nichols

boxes in U.S. government obligations. I have had meetings with the Chinese about these through the years. I have discussed them in Zurich and probably ten other countries. I never had any interest in them, but I was told that there were legitimate obligations to the Maiwah Family.

Q When did you first hear about these boxes?

A In the '80s. And I was told there were many that were non-credible and there were certain ones that were definitive obligations of the United States government.

Q Who told you that?

A Multiple parties. Would you like me to mention some of them?

Q Yes.

A Carl Sam of the -- involved -- credits with Zurich. Again, Francis Driscoll, Nicholas Zenn.

Q How do you spell the last name?

A Z-E-N-N, I believe.

Q Z-E-N-N?

A Right.

Q How do you spell the first name?

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A Nicholas. My spelling is poor.

Q Where does Nicholas Zenn work?

A He was the director or CEO --
managing director of Union Bank Space.

Q Anyone else ever tell you that those
were legitimate obligations?

A Irwin Kagi, the managing director of
Sentinel Bank.

Q How do you spell the last name?

A Sentinel Bank in Zurich,
Switzerland.

Q No, his last name?

A Kagi, K-A-G-I, I believe.

Q When did Carl Sam tell you these
were legitimate obligations?

A In the '80s.

Q When did Francis Driscoll tell you?

A He told me about that in probably
'84 or '85, something like that.

Q More recently, did he ever tell you
more recently than that?

A No.

Q Nicholas Zenn, when did he tell you
that they were legitimate obligations?

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A In the late '70s.

Q Ever more recently than that?

A No.

Q Irwin Kagi, when did he most recently --

A Also in the '70s, late '70s.

Q When did anyone most recently tell you that those obligations were legitimate?

A When -- would you ask me that again?

Q When most recently did someone tell you that the obligations that we have been discussing were legitimate?

A The last two years. I am trying to think precisely. In the last two years.

Q Who told you that?

A Tansri Teong.

Q How do you spell that?

A T-A-N-S-R-I, T-E-O-N-G.

Q Who else, if anyone?

A David Smith.

Q Who is David Smith?

A Who is he -- it's what he told me he was or what I was told he was. I don't know who he is.

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q What did he tell you he was?

A He told me he was an adviser to the President of the United States.

Q What did you understand that to mean?

A That he was an adviser to the President of the United States.

Q In what capacity?

A Something to do with -- I believe his past was comptroller of the currency, something with the comptroller of the currency.

Q Did anyone else tell you that the obligations were legitimate?

A I have to think for a few minutes, but the answer is yes.

Q Let's step back. Actually, before we get into that, do you understand that you are being deposed here today in connection with two different actions, two different legal actions?

A I understand I am being deposed -- I don't know two different legal actions. I don't understand that.

Q What is your understanding of the legal dispute in the actions for which you are

Nichols

being deposed today?

A The way I understand it is that I was asked to do something by Sam Israel, I did what he asked me to do to the letter and that he and -- he told me the funds involved were his personal funds and I would work only with him and he was involved with people at a high -- connected at a high level of government, that they wanted to achieve an objective. And that I -- he asked me if I would do something for him, I did it and I understand now that it is -- I don't want to stammer here -- that there is an argument over the funds that he used to pay me are -- were bio-client funds or something like that and I had no knowledge of this.

Q What services were you paid the \$10 million by Samuel Israel to perform?

A Four things: To obtain a sealed box that origin Chinese, from the Chinese that he said he was quite familiar with and it could not be opened. I had no responsibility as to its content, but a sealed box and it must -- it had to be a hundred million dollars box, a hundred million dollars in a certain series or the series

Nichols

was irrelevant, but no more than a hundred million dollars on the plate and identification.

Q Just to be clear, this is a plate on the outside of the box?

A The plate on the outside of the box had to state that it was a hundred million because the ones that were bogus or whatever according to him were different figures, much higher figures.

Who to negotiate the box with, or the settlement of these boxes with the Chinese, in other words, names, phone numbers, who had the authority to negotiate settlement of these boxes. He wanted currency, silver certificate, Federal Reserve notes that were held in secure vaults overseas. He wanted photocopies of them. He wanted authentication of one of them by his authenticator. And he wanted the location of the security house and who to -- who could negotiate the settlement of that currency or those government debts. That was what he asked for. And he offered the amount. I did not suggest it. He offered it. If I could obtain that for him.

Q Other than the services that you just described, were there any other services that

Nichols

you were being paid for with the \$10 million?

A Only to give my opinions or consult, you know, give my opinions on what his undertaking was because he was proceeding with John Ellis and my name was a one-time payment.

Q Just to be clear, these consultation services, that was only in reference to the four services that you just described?

A That he said to me was what I was being paid for. And at the end I stated very clearly that if I provide that is that it, he said that will be it, but I would like to put down -- you know, call you, ask you questions, you know, for your assistance.

I said, of course, and -- and when I had provided him precisely with what he asked for, he told me, you have completed the contract with me, the agreement is finished and you have done what you were paid to do, and I will call you if I need you, and that was basically it on that matter.

Q Just to be clear, the services for which you were paid all related to this treasury box and the silver certificates; is that accurate?

Nichols

1
2 A To obtain -- to provide to him this
3 box unopened, that was one, to provide to him the
4 names of the principals with whom he could speak
5 or the parties to speak to negotiate the
6 redemption of that box and settlement of that box
7 and other boxes of the same nature, to provide to
8 him copies or photocopies precise of Federal
9 Reserve notes and United States government --
10 alleged United States government silver
11 certificates, and with whom he could -- their
12 location, what security vaults and security house
13 they were located in and with whom negotiations
14 could take place to settle that. That was what I
15 was asked to do.

16 Q You weren't being paid for any
17 consulting services relating to any projects other
18 than the ones that you just outlined?

19 A No, other than just those matters,
20 those, you know, concerning that, but -- however,
21 he said to me, you know, would you help me with
22 this, could you tell me that and this and
23 everything else? And I said, of course, I am
24 going to assist him because of other interest I
25 had -- other involvements I had with him that were

Nichols

none related to the \$10 million.

Q But just to be clear, the \$10 million, the services you were providing were only related to the projects that you just described --

A That's correct.

Q -- with the treasury box and the silver certificates?

A That's correct.

Q On occasion you provided him with other services not in relation to the \$10 million; is that correct?

A I made comments. I mean, he would ask me my opinion of things. When I say this, that, I had in other words no authority. I had no authority or was never in any position of authority to do anything for him, but he would ask my opinion repeatedly on things and, you know, what do you think of this and so on and so forth. And I didn't decline answering him. I said I'd do this or that, but it was not related to the payment he made to me. And I would like to see someone else go get another box and the things I did for \$10 million.

Q When did you first discuss the box

Nichols

with Samuel Israel?

A Within an hour after I met him.

Q And how did the topic come up?

A He brought up the box, he brought up the currencies, and asked me to speak with him alone about it because there were other parties when I met him that were there, and he asked me to go with him to his hotel and he wanted to discuss something private with me.

Q Let's step back just a little bit. How did you come to initially meet him?

A I was asked to meet him on the development of a security card for some business he was involved in that he wanted to know if a card could be developed that would require retinal scan or whatever, that if the card were lost that the card would be -- would be of no value to someone who pilfered it or if it were lost or whatever. It was basically a security cut for some business he was involved in and -- in another company that I had nothing to do with. He asked me, do you have the relationships to develop that card?

We discussed it and I said, I will

Nichols

check. And I did and the parties I talked to said, yeah, it could be developed, yes.

Q They said it could be developed?

A Yes.

Q Who were the parties?

A Paul Staub.

Q Who else?

A A man named Paul Staub, a friend of mine.

Q Who else, if anyone?

A That's all I needed. He was a software specialist. He did the software for the B-1 bomber. He did the Hillside Missile software. He was quite knowledgeable in software, so he told me it could be done.

Q What exactly did you ask him?

A I just said that I just met with someone who wanted a card that could be used as a debit direct or some kind of card for his company that he said it was called and if the card were lost it would be of no value to someone, basically a very secure credit card-type thing, you know, thermal, thumbprint, you know, retinal, something along -- you know, of that order.

Nichols

Q Who arranged this meeting between you and Israel?

A A guy named Jack O'Halloran.

Q How do you know Jack O'Halloran?

A Oh, I met him many years ago or something. I don't know how; I can't say. I had seen him and spoken with him on and off for many years. He was married to a woman, a nice woman, who we would have dinner and then social relationship pretty much. He'd call me and he'd -- called me on this and asked me about this.

Q Is this an area of your expertise the that people consult you on very regularly?

A I couldn't hear that.

Q Do people regularly consult you on this topic of software and security cards?

A That's the first time it ever happened.

Q Why do you think you were called on to meet with Israel if it had never happened before?

A I was asked if I knew, not myself, if I knew someone who could accomplish that. I did not know if I did, but I said I will have

Nichols

1
2 someone research it that is qualified and would
3 give me an answer yes or no. I have declined
4 quite a few projects in my life and can't -- have
5 no chance of going forward. This one could have
6 gone forward if he wanted to pursue it, but it
7 basically was not the reason that he met me. He
8 met me because he wanted to talk about his other
9 business. In other words, I thought the meeting
10 was specifically for that card and then it went
11 off to the other thing.

12 Q So your understanding is Israel kind
13 of set the meeting up, the card up, as a pretext
14 so he could actually speak to you about this
15 treasury box project?

16 A Well I wasn't supposed to meet with
17 Israel. I was asked to meet with Dan Marino, his
18 office manager, and he was there.

19 THE TRIAL OFFICER: We have
20 about five minutes of tape left.

21 Q Is it your understanding that Dan
22 Marino worked at Bayou?

23 A I didn't know about Bayou. I just
24 knew that they had a company in -- I believe it
25 was Isle of Man, the Isle of Man. They had a

Nichols

company in the Isle of Man that wanted to -- they were investigating the possibility of doing a security card for and offering a service to someone with the card.

Q When you say they, who are you referring to?

A I mean Sam Israel and I am speaking backwards. I didn't know Sam Israel, but Dan Marino and Sam Israel. The Sam Israel was there and Dan Marino wasn't there and that's what I was introduced to him.

Q How did Sam Israel -- in what terms did Sam Israel describe the treasury box project?

A He said to me -- he asked me to leave the hotel we were at, The Dorchester, and go to his hotel, which was Claridge's, and he wanted to talk to me about something else other than the card which only two or three minutes -- I'd say ten minutes of this was discussed. There were other people there, four or five people whom I didn't know or have any idea what their position was, their relationship was with regard to this. And I said to the chap, O'Halloran, he wants to speak to me alone. Do you object to that?

FINK & CARNEY

REPORTING AND VIDEO SERVICES

39 West 37th Street, 6th Floor, New York, N.Y. 10018 (212) 869-1500

Nichols

Because I thought it would be rude if I just walked off with him not knowing him. And O'Halloran said, we're having some lunch. Of course, go talk with him.

And so he said, let's go to my hotel. We went to his hotel and in the car he said, I wanted to discuss with you -- or in the taxi, I want to discuss with you a couple of things concerning obligations of the United States government and, you know, he referenced currency and boxes that are very, very sensitive.

And when we got to the Claridge Hotel, he said to me, I want to substantiate my relationship concerning this or my relationships with government and he said, are you familiar with this?

I said, I am very familiar with it, but this type of business could not proceed in any way, I have been told, unless you are dealing at the absolute pinnacle or highest level because of certain measures that are taken for plausible deniability on the obligations, deniability.

So he said to me George Soros -- and that's the only name I remember, but several

Nichols

names -- this is how they made their money and
this is what I want to pursue.

And he said, I will call John Ellis
right now on the phone who is the cousin of the
President and he is one of my best friends and
we'll proceed and we'll discuss this.

I said, you don't have to call John
Ellis. To me he would be a voice on the phone.

And he said, would you pursue it and
do you have the ability to provide the things, the
four things we just mentioned?

And I said, I can't be certain at
this time.

He said, for \$10 million?

I said I could. I could probably do
it, but my requirement would be meeting John Ellis
because to provide you anything if you do not have
a relationship at the absolute correct level it
would be in no one's interest, not the Chinese,
not yours or anyone else's.

He said, okay. He said, we'll work
out a time for you to come to my home in Bedford
or wherever it is, in New York, I mean, and he
said in the next month or two. And then he asked

Nichols

me about fund trading programs, you know, high yield type, do you know about this?

And I said, you hear these things all the time. I have heard about them for years. I know people who claim that they are beneficial to the U.S. interest and could you introduce me to someone in that? Do you know someone? I said, I know Steven Hickock who is pursuing -- who is pursuing things for U.S. government or the U.S. interests, and I understand the purging trust behind it, you know, its benefits and distributes it, pretty much to where they should be placed, you know, for the U.S. interest and maybe he is interested in speaking to you.

He said, ask Human Coalition Eight Foundation. He asked me if I would do that -- arrange that meeting. I did and they met that night.

See, how Martin will kill me after that because he would say, why did you talk for 30 minutes about something?

THE WITNESS: That's it.

Sorry, Martin.

Q Was it your understanding that

Nichols

Israel was discussing the same treasury boxes that you had heard about back in the '80s from other people?

A Absolutely.

Q How did you know he was talking about the same boxes?

A Because he said Federal Reserve, a hundred million dollars gold certificates and I believe to this minute I have heard your assessment that those boxes are correct.

Q When you say the boxes are correct, what do you mean?

A I mean, I believe they are obligations.

THE TRIAL OFFICER: If I could take this opportunity to change the tape. The time is now 11:09.

(Whereupon, at 11:09 o'clock a.m., a recess was taken to 11:23 o'clock a.m.)

(The deposition resumed with all parties present.)

THE VIDEOGRAPHER: The time is now 11:23. We're back on the record.

Nichols

This marks the beginning of Tape Two.

R O B E R T B . N I C H O L S , resumed and
testified further as follows:

BY MR. ALBERTS:

Q I just have a couple of follow-up
questions concerning your current assets. What is
your current residence?

A 4999 Kahala Avenue, K-A-H-A-L-A,
Avenue, Honolulu, Hawaii 96816.

Q Do you have any other residences?

A Yes.

Q What are the addresses of those
residences?

A I'm sorry?

Q What are the addresses of those
residences?

A I would -- I think it's 32 -- I am
not positive, could be 34 -- 32 or 34 Grosvenor
Square, London W1, Mayfair, England.

Q Any others?

A I guess my parents' ranch. Is that
a residence?

MR. SIMONE: Yes.

A My little desert spot, Windmill

Nichols

Acres Road -- I don't know the number, it's just a rural spot -- Prescott Valley, Arizona.

Q Do you own this property in Prescott Valley, Arizona?

A Yes.

Q And in what capacity do you own it?

A Jointly.

Q With whom?

A My wife.

Q And for the property located on what was it, Grosvenor Square in England?

A I lease it.

Q What are the lease payments? What are the amounts of the lease payments?

A I don't know exactly. I'd say \$15,000 a quarter or something, but that's a guess.

MR. BAINTON: We have produced the lease.

MR. ANBINDER: When did you produce that?

MR. BAINTON: Yesterday. And I think it's -- if you don't mind me saying, I believe it's around

Nichols

53,000 pounds a year. That's my memory, but whatever the documents says the document says, but that's my memory.

MR. ANBINDER: Okay.

Q And the property, was it Kahala Avenue in Honolulu, is that leased?

A No, that's being purchased. That is being purchased. It's not leased.

Q When you say being purchased, what is it right now?

A Well, it's heavily mortgaged, you know. I mean, it's not free and clear. It's in the process of purchase over years, so.

Q Is title in your name?

A Yes, or a company name, you know, just specifically has that.

Q Do you know what the company name is?

A RBN Consultants.

Q Are you associated with any other companies besides RBN Associates?

A No.

Q What is the business of RBN

Nichols

Associates?

A To purchase that apartment.

Q Is that a for-profit business?

A No.

Q Is it a not-for-profit business?

A It has no profit, so is it for profit? I don't know how to answer that. It's what the apartment's name is in.

Q What is the purpose of the business?

A To own --

MR. BAINTON: Objection.

You can answer.

A To own the apartment, say real estate holding, you know, that's all I can say.

Q Does RBN Associates have --

MR. SIMONE: It's RBN Consultants, so we don't have to later correct the record, make it easier for you.

Q Is RBN Consultants a charitable organization?

A Treadwell?

Q Charitable.

A I thought you said treadwell. No.

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q Does RBN Consultants do anything other than just own that one property?

A Absolutely nothing else.

Q Have you ever been associated with any other business besides RBN Consultants?

A Any other business?

Q Yes.

A Been associated with? I don't understand the question.

Q Let me rephrase it. Actually, I will ask a slightly different question.

Have you ever controlled any other company?

A I have been a director of -- well, I can't say that, director. Yeah, I was a director of First Intercontinental Development Company.

Q When was that?

A Through the '80s I would say pretty much, late '70s and '80s.

Q What's the business of First Intercontinental Development Company?

A The objectives were to establish steel mills, listening posts or whatever, in Lagos, Nigeria, Abeokuta, Nigeria, Amman, Jordan

Nichols

and proceed with negotiations to develop Vellalar, the transportation area of Beirut, and rebuild the city of Damura which had been heavily shelled at the time.

Q Was that a charitable organization?

A No, I don't believe so. I'm not sure.

Q Was the goal of that organization to make money?

A Excuse me. This goes to objectives, to accomplish objectives as we spoke about before. The directors of the company had me do certain things for the company. Would you like me to describe that?

Q Were you a director of the company?

A Yes, I was told I was. I did not have access to the database, but I was told I was.

Q Did you go to board meetings?

A There were board meetings, mainly by conference call, but several with various members of the board and the other conferences.

Q If we looked at the board minutes, would your name be there as somebody attending?

A Yes, I believe it would. I was

Nichols

there.

Q What is your Social Security number?

A 560-56-8961.

Q Have you ever used any other Social Security numbers?

A A mistake was made once on my Social Security number that popped up on a driver's license, but I have never used it, you know, intentionally anywhere. I didn't -- in other words, I didn't know it for a couple of years. I read it as my number, but it was an unintentional thing.

Q You are saying you had a driver's license that had some type of typographical or in the Social Security number?

A Right. That was before, before when they put Social Security numbers on driver's licenses.

Q What is your date of birth?

A 3-6--43.

Q Have you ever used any other date of birth?

A Not to my knowledge, unless I reversed it for European or whatever the country

Nichols

is. You know, it's reversed in other countries, so I would be reversing it.

Q The cash payments that you previously mentioned having received from people who worked for intelligence agencies, did you ever sign receipts for receiving those cash payments?

A Sometimes I was asked to sign receipt funds.

Q What happened to those receipts?

A They didn't give me them to me.

Q Were you ever given any paperwork reflecting payment that you were -- that you received?

A No.

Q Did you ever use code names in connection with the projects that you did for these individuals or associated with intelligence?

A They used code names.

Q Did you have a code name?

A I had been called different names, yes.

Q What were the code names that you were called?

A They are embarrassing. I guess you

Nichols

don't care.

Q What were the code names?

A Well, the directors at Fedco and the British called me Mongoose.

Q Any other code names?

A On the fuel air explosives, I believe I was called Eel. Not very complimentary.

Q Any other code names?

A No, that I recall.

Q Do you think there were other code names that you don't recall?

A That is possible, yes.

Q We have discussed your income. Does your wife have any sources of income currently?

A No.

Q Since 2004 has she had any sources of income?

A No.

Q At the time that you received the \$10 million payment, what assets other than the \$10 million did you have?

A Several hundred thousand dollars cash, I believe, and some property in Australia. And I think I had the -- I mean, the apartment in

Nichols

Hawaii. I don't remember if it was exactly before or after because I had been there for many years, so I can't be sure if -- at what time that was purchased, you know, I mean, if it was before or after. Had nothing to do with this, but I don't know precisely. You know, in other words, it could have been 2003 or something like that.

Q Any other assets?

A Property in Australia, that, a good wife.

Q Fair enough. The property in Australia, how much was that worth at the time approximately? And just to be clear, I am talking about the time at which you received the \$10 million payment from Israel.

A I would have to guess.

Q Can you approximate?

A That's a guess, isn't it?

Q Well, was it worth more than \$10 million?

A I would be guessing.

Q Your understanding is you may have owned a property worth more than \$10 million in Australia?

Nichols

MR. BAINTON: Objection.

A I have answered I guess.

Q Was it worth less than \$10,000?

A I don't believe so.

Q Was it worth less than a hundred thousand dollars?

A I don't understand the current -- what the total has been on property in Australia at this time. I just don't know how to answer it.

Q Just to be clear, I am talking about in 2004.

A I thought you said property before.

Q The property at the time that you received the \$10 million from Israel.

A In other words, property that had -- was before Israel that had nothing to do with Israel, before I met Israel, is what you are asking, isn't it?

Q Just to be clear, when you received the \$10 million, at that moment other than the \$10 million I am asking you what other assets you had?

A I said property in Australia.

Q What is the nature of that property?

A It is non-income property.

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q Is it a house?

A May have a tiny little shack on it or something. I can't be sure, you know. There was a hurricane there since I was there last.

Q Can you just generally describe the nature of the property?

A It's a rain forest.

Q Do you know how many acres, approximately?

A Approximately 150.

Q When did you buy that property?

A Sometime in the '80s. I can't be sure of what year.

Q Have you ever since 2004 received any income from that property?

A No.

Q Do you have currently any assets in any location other than the -- other than that property that is somehow attributable to that property?

A Do I have any other assets that are attributable to this property?

Q Such as rental income?

A I'm old. You have to help me with

Nichols

these things.

Q Sure. Here. I will break the question down a little bit. Have you ever rented out anything -- any part of that 150 -- of that approximately 150 acres in Australia?

A No.

Q Have you in any other way received any income from the property in Australia?

A No.

Q Do you have any accounts anywhere that have funds in them that somehow came from that property in Australia?

MR. BAINTON: Objection.

You can answer.

A No.

Q Just to be clear, did you understand the question?

A Do I have accounts that receive income from that particular property in Australia, is that the question?

Q That receive income or in any other way received transfers, monetary transfers, from the property on Australia?

MR. BAINTON: Objection.

Nichols

You can answer.

A They did not receive -- there is little tiny thing here. I will just say it right out to you. If you pay your taxes in Australia, your rates, if it's overpaid, they send a little something back, but it was yours originally, but there was no income from the property. There is no account that receives income from the property.

Q I see. So you pay income taxes on this property in Australia -- withdrawn.

You pay property taxes on this property in Australia?

A That's correct.

Q Do you pay property taxes on any other assets that you own?

A Yes.

Q What other assets do you pay property taxes on?

A I am a partial owner of another piece of property in Australia.

Q When did you become a partial owner of that property?

A I'd say probably 1990. I'm guessing, but 1990.

1 Nichols

2 Q So in 2004 when you received the \$10
3 million payment you had two properties in
4 Australia at that time?

5 A I had one property with my wife
6 jointly and I own part of another property.

7 Q What is the nature of that other
8 property, the one from 1990?

9 A When you say the nature, you mean is
10 it a non-income or income earner, or is it green
11 or desert? I don't understand what you mean by
12 nature.

13 Q Sure. Initially, I kind of want a
14 general characterization. For example, if it's a
15 building, a ranch, part of the ocean, cave, house;
16 what does it look like?

17 A It has a little building on it and a
18 little probably, you know, shed, and it's looking
19 over a river and it's by the ocean. It has
20 crocodiles --

21 Q How many --

22 A -- nearby.

23 Q -- how many acres is it?

24 A I'd have to guess. I'd say 20.
25 It's jungle.

Nichols

Q Do you pay property taxes on your property in Hawaii?

A Yes.

Q The individuals who instructed you it wasn't necessary for you to pay taxes, did that only apply to income taxes and not property taxes?

A That's the way I understood it.

Q Why would it apply to income taxes and not property taxes?

A I do not know and I will -- to clarify or for clarity, they said I was to do nothing concerning my involvements. I asked the question, should I pay taxes? How do I explain how I live?

You are to do nothing. You will never be bothered by your government, period. Your job is to keep this information engineering, et cetera, et cetera, in secure locations. It is a very sensitive matter, very sensitive to this country, and under no circumstances can this reach the public, and you will never ever be bothered by your government, ever, period.

Q Did you ever receive anything in writing that told you this?

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A No. It was one of those trust me.
And for 65 years, I have never been bothered by
the United States government until now.

Q Were you ever --

A Maybe bothered is the wrong word.
Approached in a negative way. And my files, they
said they never wanted my files at any time to be
public, at any time, under any circumstance.

Q Have you contacted any of these
people about the document discovery that you have
been producing in this action?

A Not now.

Q Why not?

A Because you're here. I was told
this wouldn't happen. You want me to rephrase
that?

Q Sure. If you can expand on it, that
might be helpful.

A I was told that this, what is taking
place today, would not happen to me. I do what I
am told to do. I am a facilitator. I am a person
who is tasked to undertake something, achieve an
objective. I -- if I believe I can do it and the
terms are worked out, that's what I do. And I

Nichols

will never be bothered for achieving those objectives. That's what I was told. There is no paperwork in my world, except the results of achieving the objective. There is paperwork there.

Q To your understanding --

A Now we can break out this type of thing.

Q Okay. Go ahead and break it out.

A Am I am talking, if you order me -- so order me to produce the fuel air explosive designs and all, you are the United States government. You have the right to do that and I will make every effort to do it.

Q I see. Did you understand that the reason why you weren't supposed to pay taxes was because you wanted to keep secret from the IRS that you were doing contract work for military intelligence?

A I don't understand the minds of the -- of these people. I don't understand. I can't think for them. I am saying they asked me to do something. They do not want that, evidently, to exist for whatever security reasons

Nichols

they have and I do what I am told to do. And they say, you will not be bothered; you will not be harassed; you will not ever have any problems. Just do what you're supposed to do and go through life and that's it. And that's what I have done.

Q Did any of these intelligence people ask you to enter into a service agreement with Samuel Israel?

A No. They have asked me repeatedly to become official, to sign secrecy agreements and things of this nature and I declined that.

As far as Samuel Israel, I am going on what they told me the sensitivity, the nature and the sensitivity of this type of alleged we'll say government debt. And they say at this level you have plausible deniability. At this level, you can proceed forward with this particular type of debt.

The Chinese didn't say, give this to Sam Israel. They said, sit down with the correct credentials in the treasury or the Executive Branch with this if that's necessary. These are legitimate documents. This is a legitimate debt.

So, Sam Israel said that's what he's

Nichols

gonna do. They didn't say, work this out with someone in an alley or something of that nature. They said, sit down with the correct parties and the United States government.

Sam Israel said, I am going with my best friend, John Ellis, and proceeding.

Now, John Ellis, I would not take any money on this particular business until John Ellis received the information, had time to verify this dealing with someone high in DOD, et cetera. They said they'd settle for eight cents on the dollar, this business goes on and on. That wasn't my part of it. My part of it was to produce what I was retained to do and that's what I did.

Q I think you might have forgotten my question.

A I did.

Q Did any of these government intelligence people instruct you to work for Sam Israel?

A Any of these people that say they are government intelligence asked me to work for Sam Israel, no.

Q So is your -- it was your own

Nichols

private adventure, correct?

A They said to me -- when you say any government intelligence people, you would have to go to who Steven Hickock -- who are these people that you know. I cannot as I say enter in or I do not have access to your database. I cannot go verify background. People who I understand to be connected with that particular protection say, this is the best way to proceed with this. The one I reference was David Smith.

David Smith said that that was a legitimate debt of the United States government. I was told that five of those had already been taken and settled on by the United States government. The Chinese stated that. The Chinese stated they were settled with payments from Morgan -- back -- Chase Morgan. So these are things you can investigate yourself. You have the resources. If there is something to it, there is. If there's nothing to it, there isn't. I never said what the box was worth and I simply said in my -- I will do what I am retained to do and achieve, again I say, the objective, which I did.

Q Was it your understanding that you

Nichols

were being retained by Israel as part of a private venture of Sam Israel's?

A Absolutely. He stated that very clearly. I was not to discuss it with anyone, had nothing to do with beyond he was working on with John Ellis and even John Ellis, he said he was keeping it -- you know, was under particular, particular management.

Q Were you ever employed by Bayou?

A No, never. How could I be employed by Bayou when I don't even understand what it does?

Q You have heard of Bayou, correct?

A Of course I've heard of it.

Q What is your understanding of what Bayou is?

A I thought it was a hedge fund or buying, selling, trading hedge fund. It is not something that I have any involvement with whatsoever.

Q Did you know that Sam Israel worked there?

A Oh, he told me he owned it.

Q What about Dan Marino, did you know

Nichols

he worked there?

A He told me he was his general manager.

Q The general manager of Bayou?

A Yes.

Q Did Israel ever arrange for you to have any benefits, health benefits?

A Health benefits from Bayou?

Q At all in any way.

A I think Israel one time gave me a little card and said you have life insurance when you travel or something like that but, I mean, it was nothing -- it was nothing. He did things like this all the time, you know. I don't have it, didn't use it.

Q Did you ever use any kind of medical benefits that Israel gave you?

A Absolutely not.

Q Okay.

A Israel stated very clearly to me that he was worth approximately \$200 million and he -- two to 250 and he had management of another 250. My relationship with him was for him -- to him specifically. That's it.

Nichols

THE WITNESS: I will shut up
now, Martin.

Q I show you a document that's going
to be Government Exhibit 1. Will you look at that
document?

(A document dated July 8, 2004
was marked as Government Exhibit No. 1
for identification, as of this date.)

Q Do you recognize that document?

A I have never seen this, to my
knowledge. I don't even know what it is and I
can't even see it without my specs.

Q This is a document dated July 8,
2004, subject line re: Robert B. Nichols, Plan No.
G365771. It's signed by or the name Caroline R.
Sherry appears on the bottom.

Have you ever heard of Guardian?

A I can't be sure, but I think that's
the little card he gave one to me and one to Ellen
on "I have insured you people as my friends," at
his house one day.

I mean, it means nothing because
obviously -- I mean, to me, because I obviously
didn't work for the firm Bayou, know nothing about

Nichols

the business and never used the card. Probably --
it's probably at his house.

Q The first paragraph here states,
"Attached are forms for the enrollment of the
above-referenced employee. Mr. Nichols will begin
his employment with Bayou Security LLC effective
July 1, 5, 2004. Please activate his enrollment at
the first applicable date July 15, 2004."

A So, in other words, enrolling me in
the health program the day that I start; is that
what it means?

MR. SIMONE: There is no
question pending. Listen to the
question.

THE WITNESS: Okay. Sorry,
Martin.

Q Your testimony today is that you
weren't an employee of Bayou Security, LLC at any
point?

A Not to my knowledge I was not in any
way an employee of Bayou.

Q Did you receive medical treatment in
the year 2004?

A Medical treatment in the year 2004?

Nichols

You mean like dental or eyes or --

Q Any form of medical treatment.

A I think I did. I had an eye check, yes.

Q Did you receive any medical treatment that was paid for by Guardian?

A No, I did not. I know you have something there that says I did, but I didn't.

Q Other than the \$10 million payment from Israel, did you ever receive any other payments from any Bayou entity?

MR. BAINTON: Objection.

A Bayou entity, I don't understand entity.

Q Let me rephrase. Did you receive any payments in 2004 from any source other than Israel?

A If I received payments from any other source other than Israel in 2004? Boy, I don't know is the answer. I can't --

Q I will show you a document that is going to be Government's exhibit 2.

(A document entitled IMG, LLC was marked as Government Exhibit No. 2

Nichols

for identification, as of this date.)

Q This is a spread sheet in the upper left hand corner there is a header IMG, LLC, then Citibank, the number 63584437. I'd like to call your attention to the second line of the spread sheet and do you see a line that has the date 4/5/2004?

A Yes.

Q What is the entry under Transaction?

A Consultancy fee -- oh, under Transaction? My name.

Q Can you read it?

A Should I read it?

Q Yes.

A "Nichols, Robert Booth, business.

Q What is the payment amount that's listed?

A Eighteen thousand dollars.

Q Did you receive a payment of \$18,000 in approximately April 5, 2004?

A I probably did, yes. I did I think, yes.

Q What was that for?

A For me to meet on the Debit Direct

Nichols

card.

Q Who paid you that?

A Well, here it says -- I don't know who paid me. I thought Dan Marino paid me, but it could have been -- could have been -- well, I can only answer, I thought I was being paid for this by the group that I said before were in the Isle of Man that wanted the card that Samuel Israel and Dan Marino owned a company in that geographic spot.

Q What was that company, that Isle of Man company?

A I thought it was debit -- Debit Direct.

Q So you thought you were paid the \$18,000 by Debit Direct?

A That's what I assumed. I mean, that's who wanted the -- or possibly Dan Marino or -- on behalf of Debit Direct.

Q I am going to show you a document that's going to be Government's Exhibit 3.

(A document entitled Paid Productions, LLC was marked as Government Exhibit No. 3 for

Nichols

identification, as of this date.)

A Do you want me to look at these
here?

Q Well, this is a document. The
header states, Paid Productions, LLC, transaction
detailed by account. I'd like to specifically
call your attention to 4/5/2004. You will see in
the Name column it says, Nichols, Robert Booth,
business. Do you see that entry?

A Yes.

Q Reading across the page in the Paid
amount, do you see a negative \$9,000?

A I see wire on behalf of Dan Marino.
Then it says, distribution DM. Then it says minus
\$9,000 and then their balance, I guess, their
corporate balance or his balance.

Q On April 5 do you recall receiving a
payment of \$9,000?

A I don't recall it, but I don't
question I received it.

Q Have you heard of Paid Productions,
LLC?

A No. Paid Production, LLC? No.

Q Do you have any idea what this

Nichols

\$9,000 payment was for?

A Well, when I look at this and it says 18, I would say that it was 25 -- you know, that it was near 25, which is what I said if you want me to mess with this you're gonna pay me. So I imagine that I don't have any idea why it's not exact, but two payments, I guess. It would be for the same thing, meeting them to talk about their card, that's for sure.

Q So your understanding is the \$18,000 and the \$9,000 were both payment for you to meet and talk about that card?

A That's absolutely the way I remember it.

Q Your understanding is that --

A Because I didn't know them.

Q Both of these payments came from this Isle of Man company?

A I didn't know if it came from the company. It was for the company. They wanted the card for the company, according to them.

Q I'd like to show you a document that's going to be Government's Exhibit 4 -- exactly Government Exhibit 4 is going to be two

Nichols

documents.

(A two-page document entitled
COBRA Employee Information Letter and
COBRA Letter to Terminating Employee
was marked as Government Exhibit No. 4
for identification, as of this date.)

Q The first document has the header
COBRA Employee Information Letter. The second has
the header COBRA Letter to Terminating Employee.

Do you recognize these two
documents?

A No, I don't.

Q Did you ever receive a COBRA
Employee Information Letter?

A I don't remember it if I did at all.
This is about health insurance or something?

Q The address that's listed under the
To line, is that an address that would go to you,
Box 10307 Kahala?

A That's my post office box in Hawaii,
but you said, I believe, do I remember receiving
this. I do not remember receiving this. I
remember only what I stated before. I remember
him with his little card saying, you know, I've

Nichols

got you health insurance for you and your old wife and old you. And I said, great. Never used the cards. That was it.

Q On the second page, I'd like to call your attention to the second full paragraph. This is the page that starts, COBRA Letter to Terminating Employee. It states, "This regulation affects former employees including retirees and dependents of employees whose coverage under our health care program has stopped."

Does this refresh your recollection about whether you had enrollment in a health care program?

A I believe I said to you I got my little card from Sam Israel on the health program. I didn't use the card I got it. So I'm saying I got it. I don't know this paperwork is what I thought your question was, do I recognize this. I do not.

Q Did Israel ever loan you money?

A Never.

Q I am going to show you a document that's going to be Government's Exhibit 5.

(A rough draft was marked as

Nichols

Government Exhibit No. 5 for

identification, as of this date.)

Q Have you ever seen this document?

A Never.

Q Did Israel ever transfer \$10 million to you from Postbank account?

A Yes, he did. That's how he paid me.

Q Did that Postbank account contain any Bayou entity funds?

A No.

Q How do you know that?

A Because it was in his name and he said they were his funds. Tell that to the director of the bank, these are my funds. I could burn them if I want. He said something to that effect. Not only the director of the bank, he said it to the regional manager of the bank, I mean, the whole geographic area, because he asked him about his funds and I was sitting there.

Q Were you aware that any of the funds in the Postbank had been transferred from an account in the name Bayou Fund, LLC?

A I don't recall that. I just remember he said they were his funds and he said

Nichols

that -- he said the bank asked him and he told the bank they are my funds.

Q Did you ever see any documents that suggested that the funds that went into that Postbank came from a Bayou account?

A I don't know the answer to that because he described everything as I have my funds, you know, in accounts here and there, but my funds are separate. He told that to the bank and all that they are funds in here and these are my funds, and these are their funds, but my funds are totally separate. I can do with them what I please.

Q I will ask the question again. Did you ever see any documents that suggest that the money that went into the Postbank came out of an account that was a Bayou fund account?

A Did I see something that came out of a Bayou fund account? I don't think so. I don't know. I mean, they were his funds to me. I don't remember reading any papers or seeing anything.

Q Were you concerned about the possibility that the funds were coming out of Bayou as opposed to coming out of Israel's

Nichols

account?

A Absolutely -- well, I would be very concerned if they were coming out of Bayou because it would void the commission agreement he gave me.

Q So if you had seen a document that said the funds going into the Postbank are coming out of a Bayou account that would have been very significant to you?

A It would be significant because then I would want fee protection from him. He gave me a fee protection agreement for -- yeah, well, Steve -- he gave me a fee protection agreement, but he gave it to me as an individual on everything he did. And if it was coming from Post -- if they were Bayou funds, I would have told him, I want a corporate resolution from Bayou, you know, authorizing him to give me the fee protection. Otherwise, if he were successful in locating whatever he -- you know, program or whatever he was going to invest in, it would go back to Bayou and I would be paid nothing.

Q Did you ever ask him to get any Bayou resolution?

A No, because I am thinking the fee

Nichols

protection agreement for myself, so why would I --
I thought they were his funds, so why would I need
that?

Q Did you ever ask for any Bayou board
resolution for any project?

A Not to my memory because there would
be no reason for it. He gave me his specific --
he gave me a fee protection agreement signed by
himself. I will pay you five percent of my
profits, which he couldn't have obviously done if
they were Bayou funds. Bayou would have to pay me
five percent.

Q Have you ever heard of Paul Millus?

A Millus? No.

Q Have you ever heard of the law firm,
Snitow, Kanfer, Holtzer & Millus?

A Is it in this paper or something?
No.

Q It's your understanding that the \$10
million that you received was not a loan, correct?

A Understanding in it was not a loan.
It was payment for what I did.

Q Towards the middle of this exhibit
there is a sentence that reads, "The collateral

Nichols

consists of a" -- "the collateral consists of a private item owned outright by Mr. Nichols which he chooses not to sell on the open market which he has turned over to Mr. Israel."

Do you have any idea what that refers to?

MR. BAINTON: Objection.

You can answer.

A It's ridiculous. It has no -- it has no meaning to me whatsoever. It has nothing to do with my agreement with him.

Q Did you ever have a private item that you chose not to sell on the open market and gave to Israel?

A Not that I am aware of.

Q Prior to agreeing to work on the treasury box project, did you have any prior experience with similar projects?

A You mean specifically treasury box things of that nature, currency?

Q Here, I am a going to show you a document that's going to be Government Exhibit 6.

(A document entitled Verified
Petition was marked as Government

Nichols

Exhibit No. 6 for identification, as
of this date.)

Q This is a -- well, have you seen
this document before?

A No.

Q Is it at all familiar to you?

A I can't read that fast.

Q Do you recognize the document?

A I recognize some of the text of the
document from that Inspector Anis or whatever he
is in London or Constable Anis. I mean, these
were the kind of words. I don't know if
specifically that's it.

Q Can you refer to page 5? There is a
signature line on page 5 of this document --

A I'm on page 2, so you can't say that
I read the other ones in between.

Q Oh, I don't at all intend to imply
that.

A Of course, you can say it. Sorry
about that. Page 5, I'm there.

MR. BAINTON: I think he
really wants you to be on page 6.

MR. ANBINDER: No, I want to

Nichols

start on 5.

Q Did you recognize the name on that signature line?

A Yes, I do, J. Joseph Bainton.

Q Is that who you were just referring to, the counsel table?

A You mean in London -- Joe is my attorney.

Q Did Joe ever show you this document?

A No. I received -- do you want me to clarify this or is that allowed?

Q I just want you to answer the question. Did Joe ever show you this document?

A Not to my memory. He may have, but I don't recall seeing this from Joe.

Q Can you be -- could you look at page 6?

A I'm not saying he didn't. I'm saying I don't remember. Okay, then I've seen it.

Q Just to be clear, this document reads, "I have read the foregoing Petition for Adjudication of Interest pursuant to 21 U.S.C., Section 853N and know the contents thereof and the same are true to my own knowledge, except as to

Nichols

the matters therein stated to the alleged upon
information and belief and as to those matters I
believe it to be true."

Is that statement correct?

A Am I saying this part here I'm
saying is true, is that what I'm saying now?

Q That's my question to you. When
you --

A So you're saying that I have already
read this in the past and I signed this and said
it was true.

Q I'm asking you whether that's the
case.

A Well, if I signed it, I obviously
believed it to be true, if these are the same
documents that I'm signing about unless you
changed the paperwork or something.

MR. BAINTON: I'm sure he
hasn't done that.

THE WITNESS: But, I mean, you
know, so you gave me these and I read
them and I signed them? Okay, well it
simplifies it.

Q Let's look at paragraph 10 --

Nichols

1 actually, let's start with paragraph 9. Do you
2 see a reference in paragraph 9 to, "the project"?
3

4 MR. BAINTON: He's not at
5 paragraph 9 yet. Give him a second.

6 THE WITNESS: You have to be
7 patient with older people.

8 A In paragraph 9, I'm there.

9 Q Do you see a reference to paragraph
10 9 to the project? It's in parentheses at the end
11 of the paragraph?

12 A The project, yes.

13 Q Right before that it says,
14 "financial instruments that Israel believed to be
15 bona fide obligations of the Department of
16 Treasury of the United States of America," do you
17 see that?

18 A That he believed to be bona fide
19 obligations -- yes, I do.

20 Q Is that what you have been referring
21 to as the treasury box project?

22 A Right, which he said to me that's
23 what they were.

24 Q Now, in paragraph 10 it says that,
25 "Mr. Nichols's prior experience with the specifics

Nichols

of the project and his acquaintance with individuals associated with the government and with other individuals associated with governments of other nations made him specially qualified to undertake the project whose scope contemplated among other things Mr. Nichols's contact with representatives of foreign governments with whom he was personally acquainted."

A That's true. I mean, that's what it says. It's correct.

Q And is the statement true?

A I believe so, yes.

Q What was your prior experience with the specifics of the project?

A Tansri Teong, the party that I referenced before, had met with General Ritchie of the NSA and discussed this matter at his home in London. That was related to me by him and a woman named Margaret Laughlin or Lawton, I can't remember, who was also a national security operative with a company called Hartford Holding or whatever the NSA was using at the time.

I also heard -- despite the conversation with General Ritchie, I also heard

Nichols

1
2 this from going back in the past with Lord Roger
3 Keeseey, Member of Parliament, and I also heard it
4 from an MI5 person. I can't remember his last
5 name, but I think it was Chrissy. I can't recall
6 it now. I can think about it, but we don't have
7 time for that.

8 MR. ANBINDER: Actually, we do
9 have time for that. We probably
10 should have wrap-up here because there
11 is a meeting that's going to be
12 starting in this room in a few
13 minutes --

14 THE WITNESS: But we're here
15 first.

16 MR. ANBINDER: It's true.
17 Nevertheless, we probably should take
18 our lunch break now.

19 THE VIDEOGRAPHER: The time is
20 now 12:26. This marks the end of Tape
21 Two. We're now off the record.
22
23
24
25

Nichols

A F T E R N O O N S E S S I O N

December 16, 2008.

2:18 o'clock p.m.

THE TRIAL OFFICER: The time
is now 2:18. We're back on the
record. This marks the beginning of
Tape Three.

R O B E R T B . N I C H O L S , resumed and
testified further as follows:

BY MR. ALBERTS:

Q You previously mentioned that in
some occasions when you received payments from
people who told you that they were associated with
intelligence services you would sign receipts; is
that correct?

A I've signed receipts, correct.

Q Were those receipts --

A Seldom, but I have.

Q Those receipts were for cash
payments to you?

A It just said received X amount,
asking very simple, just signed.

Q Did those receipts confirm that you
were being paid an amount of cash?

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A It was just received X cash, X amount of cash, that's all it said. I didn't pay any attention to it; I just signed it. I couldn't tell you the text of the receipt or anything.

Q Were you signing it to confirm that you had received payment from these individuals?

A I believe so. Just on a few occasions I was asked, would you please sign this.

Q Did you sign in your real name or a code name?

A I signed my name.

Q Your real name?

A To my memory, in my name.

Q Did you ever sign a receipt in any of the code names that you gave me earlier?

A I can't be sure. I don't think so, but I can't be sure.

Q You don't think that you ever signed Mongoose?

A I can't be sure.

Q Did you ever sign any other documents that you received from these people that were associated with government intelligence?

A I signed -- I can remember an

Nichols

occasion or two I signed documents, yes.

Q What kind of documents?

A In my opinion, it was -- said confidentiality or secrecy, document that I signed when I met with someone.

Q Who was that?

A Veronica Ferguson.

Q Did you ever meet with anybody else who gave you documents that you signed that was from one of these government intelligence agencies?

A I probably but I don't recall specifically signing documents with Andy Klemmer when he was -- Andy Klemmer, I believe.

Q How do you spell Andy Klemmer?

A Andy, Klemmer, K-L-E-M-M-E-R, I think.

Q Did you ever stay at Israel's home?

A Yes, I did.

Q For how long did you stay at his home?

A I would have to estimate it.

Q What is your estimate?

A Six -- six weeks, something like

Nichols

that.

Q Would you characterize your relationship with Israel as a close relationship at that time?

A That's difficult for me to answer. A close relationship? I didn't know him long enough, what I would call a close relationship. I didn't -- I thought he was just basically, you know, a wealthy guy who wanted to, you know, achieve an objective. I didn't look at him as a friend, if that's what you're saying, or someone that I would go have a beer with.

Q Was it unusual for you to stay for six weeks with a business associate --

A Yes.

Q -- who is not your friend?

A Very.

Q Why did you do so?

A He asked me to and I -- I know I shouldn't add on. I said to him after meeting with John Ellis that I would like to move on as soon as possible, as soon as Ellis and he had worked out their -- you know, what they wanted to do or what he wanted to do.

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q What were you doing during that six weeks? Were you doing anything for Israel?

A Not anything other than giving -- making a comment or giving an opinion. I think I witnessed his signature on documents once or twice or something. He said could you sign here and witness for me, things that weren't related to me or something like that but, I mean, nothing of business. It was just, I was there waiting for him to wait for John Ellis's reply or his input on what we were discussing.

Q Why did you wait in his house? Why not wait at your house?

A He asked me to wait at his house and I was returning to London. If I was going to proceed with this, I had to go back to London, so to fly to Honolulu, then fly back, I just thought I'd wait there. And it wasn't set out that this would be six weeks. It just ended up at something like that.

Q Was your wife staying at his house as well?

A Say again?

Q Was your wife staying at Israel's

Nichols

home as well?

A She was with me.

Q During that entire six-week period?

A Yes, she was.

Q And was she doing anything for
Israel?

A Nothing I can think of.

Q Did she ever provide any services to
Israel?

A Nothing that I can recall. I mean,
services -- you mean, she was retained to do
something?

Q Did she ever engage in any business
dealings on his behalf?

A No, not -- no, I mean, when you say
did she do something for Israel, did she make him
a sandwich or something? Yeah, she could have
done that, but did she review documents for him or
something, no, she didn't do that, so I don't know
how -- precisely how to answer that.

Q But you understand that she did not
engage in any business dealings on his behalf?

A As I understand business, business
being business, you know, doing something for

Nichols

1
2 compensation, no, I don't believe she did
3 anything.

4 Q Did she ever do anything to further
5 the treasury box project that you have discussed?

6 A No.

7 Q You mentioned a humanitarian
8 coalition; is that right?

9 A The Humanitarian Aid Coalition,
10 something like that, HC -- Humanitarian -- yeah,
11 HCAF, I think.

12 Q Did she ever do anything in
13 connection with HCAF?

14 A Well, she very much promoted that --
15 when I said promoted it, she was impressed with
16 some of the research they had done on AIDS cases
17 in Ghana and the First Lady of Ghana had written,
18 you know, how it had helped so many people that
19 were in very critical or dire circumstances, you
20 know, one of the products. I forget what it was,
21 some zinc drop or something and she thought that
22 this was a good thing, so --

23 Q Other than being impressed by them,
24 did she have any dealings with them?

25 A With HCAF?

Nichols

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q Right.

A Oh, I'm sure she knew Steven Hickock, yeah, I'm sure she did. The SARS epidemic problem in Asia at the time and they thought this could be helpful, some of the product, you know, for the SARS epidemic, and they wanted to do some testing on that.

Q Did she ever have any business dealings with HCAF?

A Business dealings again meaning did she receive compensation from HCAF?

Q I will ask another question. Did she ever sign any documents that relate to HCAF?

A She could have, if it was something like Hickock asked her could you sign this or witness this or write a letter for me, yeah, she could have. I can't say she didn't.

Q How about you did you ever sign documents that related to HCAF?

A I probably signed something on the beneficial stewardship agreement because that was my compensation.

Q How do you mean that was your compensation?