

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF ARIZONA  
PRESCOTT DIVISION


UNITED STATES OF AMERICA,	)	
	)	Case No. CV05-3073-PCT-EHC
Plaintiff,	)	
	)	
v.	)	
	)	
ELIZABETH A. GARDNER and	)	
FREDRIC A. GARDNER, each	)	
individually and d/b/a	)	
BETHEL ARAM MINISTRIES,	)	
	)	
Defendants.	)	

\* \* \* \* \*

ORAL DEPOSITION  
OF  
KATHY CRONEY  
May 25, 2007

\* \* \* \* \*

ORAL DEPOSITION of KATHY CRONEY, produced as a witness at the instance of the Plaintiff, and duly sworn, was taken in the above-styled and -numbered cause on the 25th day of May, 2007, from 10:01 a.m. to 10:43 a.m., before Hope Lewandoski, CSR, Certified Shorthand Reporter in and for the State of Texas, Reported by computerized stenotype machine at the U.S. Attorneys office, 801 Cherry Street, Suite 1700, Fort Worth, Texas, 76102, pursuant to the Federal Rules of Civil Procedure and the provisions stated on the record or attached hereto.

	<p><b>DOLORES STEWART &amp; ASSOCIATES, INC.</b>  <b>CERTIFIED COURT REPORTERS</b>  1701 PENNSYLVANIA AVENUE  FORT WORTH, TEXAS 76104  (817) 810-0244 • (800) 676-2401 • FAX 810-0064</p>
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<b>PLAINTIFF'S EXHIBIT</b> <u>2</u>
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1 KATHY CRONEY,  
2 having been first duly sworn, testified as follows:

3 DIRECT EXAMINATION

4 BY MR. SHOEMAKER:

5 Q. Ms. Croney, could you give your full name,  
6 please.

7 A. Katherine Marie Walton Croney.

8 Q. Could you tell me your address?

9 A. 928 Jonathan Court, Weatherford, Texas 76086.

10 Q. Have you ever had your deposition taken before?

11 A. No.

12 Q. Have you ever testified in a court proceeding  
13 before?

14 A. No.

15 Q. All right. Let me briefly explain what's  
16 happening. I will ask you a series of questions. I just  
17 ask that you answer them completely and truthfully.

18 If I ask you something you do not  
19 understand, stop me, let me know, and I'll try to clarify  
20 it.

21 A. Okay.

22 Q. The court reporter will take down everything we  
23 say, so try to speak as clearly as you can and loudly,  
24 also for Ms. Garner's benefit, who is on the speaker  
25 phone.

1 A. Yes.

2 Q. And could you tell me what his current  
3 employment is?

4 A. He works for Hill-Rom Industries, account  
5 clinical sales.

6 Q. He's a salesman for them?

7 A. Yes.

8 Q. And how long has he been doing that?

9 A. 1999.

10 Q. Does he have other part-time employment?

11 A. He is a full time -- well, he's not full time.  
12 But he's an ordained minister, I would say, also with our  
13 church.

14 Q. With Christ the King Covenant Church?

15 A. He's ordained, but not under their covering.  
16 It's with a different covering, but we're all in the same  
17 group. We're part of the same group.

18 Q. Does he earn income as being an -- as an  
19 ordained minister?

20 A. I wouldn't say so. Not really.

21 Q. All right. Do you know Elizabeth Gardner?  
\_\_\_\_\_

22 A. I've met her.  
\_\_\_\_\_

23 Q. When did you meet her?  
\_\_\_\_\_

24 A. We had a conference at our church with our -- an  
\_\_\_\_\_

25 organization we were a part of at that time. It -- it's  
\_\_\_\_\_

1 changed -- it's a new name now, but it -- it was called  
2 Kingdom Covenant Ministries, KCM, at that time. We had a  
3 conference at our church, a ministry conference. And I  
4 believe it was in October of '03, from the best of my  
5 recollection. And that was the first time -- that's the  
6 only time I've met her.

7 Q. That's the only time you --

8 A. That I've seen her personally was during that  
9 conference.

10 Q. All right. And what was the topic of the  
11 conference or what was the purpose of the conference?

12 A. Ministry. Just helping with people that are in  
13 ministry and just new ideas, what -- whatever is going  
14 on.

15 Q. Did Mrs. Gardner speak at that conference?

16 A. Yes, she did.

17 Q. And do you know what her subject was?

18 A. It was on the corporation sole. But at that  
19 conference, I also do a lot of administration within our  
20 church, and I was in and out quite a bit in helping with  
21 the lunch preparation, so I missed a lot of the  
22 conversation -- or the meeting as I was coming and going  
23 and doing what I had to do, as well, the responsibilities  
24 that I had. So I -- I had heard some of it, but not -- I  
25 wasn't there for all of it.

1 Q. And the topic was this deposition?

2 A. Yes, about making -- that she was going to be  
3 here.

4 Q. All right. Well, in 2004, 2005, 2006, did you  
5 speak with the Gardners?

6 A. Not that I can recall.

7 Q. All right. When was the corporation sole  
8 created?

9 A. It must have been in November because the  
10 canceled checks went through during that time.

11 Q. You're talking about November of 2003?

12 A. Of '03, yes.

13 Q. So since late fall of 2003, can you recall  
14 speaking with either of the Gardners?

15 A. No.

16 Q. Are you familiar with Bethel Aram Ministries?

17 A. That was the name of the ministry covering that  
18 we wrote our check to.

19 Q. Who at Bethel Aram Ministries did you deal with?

20 A. I believe it was Elizabeth.

21 Q. Was there anyone else you dealt with with  
22 respect to Bethel Aram Ministries?

23 A. Possibly we may have spoken to her husband. I'm  
24 not sure.

25 Q. All right. Other than --

1       A.     But no one else.

2       Q.     Okay.  Now, you may have already answered this,  
3 but how did you learn of the Gardners?

4       A.     The conference that KCM put on at our church.  
5 They invited her to come and speak.  That was the first I  
6 heard of them.

7       Q.     Did you have a role in the invitation process --

8       A.     No.

9       Q.     -- to invite the -- the Gardners?

10      A.     No.

11      Q.     So until they actually introduced themselves at  
12 the conference, you didn't know them?

13      A.     No, I had never met them.

14      Q.     Are you familiar with the website  
15 [www.corpssole.org](http://www.corpssole.org)?

16      A.     I've never been there.

17      Q.     Are you familiar with it?

18      A.     No.

19      Q.     Have you ever heard of it?

20      A.     Huh-uh.

21      Q.     All right.  Can you kind of walk me through or  
22 discuss the corporation sole creation process?

23                   Now, I take it you attended this conference  
24 in October of 2003, you heard Ms. Gardner speak of a  
25 corporation sole.  And then what happened after that that



1 homeschooler. So between the -- what was going on and  
2 the luncheon, I -- I heard it, but I don't really know  
3 the differences between the two.

4 Q. Did you -- did Ms. Gardner express any -- or  
5 make any comment about whether or not the IRS could  
6 challenge the status of the corporation sole?

7 A. I don't recall.

8 Q. How about did Ms. Gardner state that you could  
9 assign your outside income to the corporation sole, say  
10 from your home-based business or from your father's --  
11 or, excuse me --

12 A. Not the corp sole.

13 Q. -- your husband's sales position?

14 A. No. Only ministry funds could be --

15 Q. All right.

16 A. -- placed in that.

17 Q. And I take it from what you said earlier, that  
18 you did not, in fact, transfer any of your outside income  
19 or your main source of income --

20 A. No.

21 Q. -- to the corporation sole?

22 A. No. We never established a checking account or  
23 separate accounts.

24 Q. Did you talk about an LLC with the Gardners?

25 A. Yes.

1       Q.    Was that a topic of that October 2003 seminar or  
2 conference?

3       A.    Yes.

4       Q.    And Ms. Gardner spoke about that?

5       A.    I believe so.

6       Q.    Can you recall what she said the selling points  
7 of an LLC were?

8       A.    I don't know what she said.  To us it -- it was  
9 with -- my husband had a desire to do business, as well,  
10 for the Kingdom, but have a business.  And, of course,  
11 what that meant I don't know yet because we never got to  
12 that point.  But that's why we decided to go with the  
13 LLC, as well.

14      Q.    You bought an LLC, as well?

15      A.    I don't know if you -- we acquired it, but I  
16 don't know that there was an additional fee for it or  
17 not.

18      Q.    You acquired it from the Gardners?

19      A.    Yes.

20      Q.    And what paperwork was involved with formation  
21 of the LLC?

22      A.    Whatever we filled out on the original  
23 paperwork.

24      Q.    All right.  How about a trust?

25      A.    It was part of that, as well.

1       Q.    So the Gardners helped you form a corporation  
2 sole and an LLC and a trust; is that correct?

3       A.    Wh-huh.

4       Q.    And --

5       A.    Yes.

6       Q.    -- what is -- what is the current status of the  
7 LLC?

8       A.    We've never used any of them. We've -- as far  
9 as I understand, we have rescinded everything.

10      Q.    All right. Did the L --

11      A.    That was my understanding.

12      Q.    Does -- did the LLC have a name?

13      A.    It was all part of this Kingdom Resource Group  
14 that we formed that -- using that name.

15      Q.    All right. And that goes for the trust, as  
16 well?

17      A.    Yes. As far as I can remember, it had to do  
18 with Kingdom Resource.

19      Q.    Can you recall how the trust was supposed to  
20 function with respect to the LLC?

21      A.    No. I'm sorry.

22      Q.    All right.

23      A.    We -- we acquired all -- all of this in '03, and  
24 we never used it, so we never really delved into it  
25 because we thought our circumstances would have changed.