

Exh. F

In The Matter Of:
Heartland Recreational Vehicles, LLC v.
Forest River, Inc.

John Leonard
September 20, 2010

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1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE NORTHERN DISTRICT OF INDIANA
3 SOUTH BEND DIVISION

3 HEARTLAND RECREATIONAL)
4 VEHICLES, LLC,)
5 Plaintiff,)
6 -vs-)
7 FOREST RIVER, INC.,)
8 Defendant.)
9 -----

Case No.
3:08-CV-490 AS CAN

10 The Videotaped Deposition of JOHN LEONARD

11 Date: Monday, September 20, 2010
12 Time: 9:04 a.m.
13 Place: Baker & Daniels, LLP
14 202 South Michigan Street
15 Suite 1400
16 South Bend, Indiana

17 Called as a witness by the Defendant in
18 accordance with the Rules of the United
19 States District Court, Northern District of
20 Indiana, South Bend Division, pursuant to
21 Notice.

21 Before Sharon L. Brady, Court Reporter
22 and Notary Public

23 MIDWEST REPORTING, INC.
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25 South Bend, Indiana 46613
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1 APPEARANCES:

2 MR. DAVID P. IRMSCHER
3 Baker & Daniels, LLP
4 111 East Wayne Street
5 Suite 800
6 Fort Wayne, Indiana 46802

5 On behalf of the Plaintiff;

6 MR. RYAN M. FOUNTAIN
7 Attorney at Law
8 228 West High Street
9 Elkhart, Indiana 46516

9 On behalf of the Defendant.

10 * * *

11 ALSO PRESENT:
12 Sara Hazen, CLVS, Videographer

13 * * *

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I N D E X

2 THE VIDEOTAPED DEPOSITION OF
3 JOHN LEONARD

4 DIRECT EXAMINATION
5 By Mr. Fountain4
6 * * *

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1 THE VIDEOGRAPHER: Good morning.
2 We're now on the record. Today's date
3 is September 20th, 2010. The time is
4 now 9:04 a.m.
5 This is the videotaped deposition
6 of John Leonard taken in the matter of
7 Heartland Recreational Vehicles Versus
8 Forest River.
9 Will the attorneys please
10 introduce themselves and who they
11 represent and will the court reporter
12 please swear the witness.
13 MR. FOUNTAIN: This is Ryan
14 Fountain for Forest River.
15 MR. IRMSCHER: David Irmischer for
16 Heartland.
17 JOHN LEONARD,
18 Called as a witness by the Defendant, having been
19 first duly sworn, was examined and testified as
20 follows:
21 DIRECT EXAMINATION
22 BY MR. FOUNTAIN:
23 Q Mr. Leonard, where were you on the evening of
24 October 22nd, 2008?
25 A I probably was at home.

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1 in -- I believe in July or June. We have one at
2 the Elkhart fairgrounds.
3 Q Do you invite dealers to attend that?
4 A Sure.
5 Q Do you pay for their lodging?
6 A No.
7 Q Are there any showings that Heartland has where
8 you invite dealers and pay for their lodging?
9 A Not that I'm aware of, no.
10 Q Do you know of any other manufacturers that do
11 that?
12 A I believe everybody does that.
13 Q Everybody has showings and pays for the lodging?
14 A Oh, I don't know about paying for their lodging.
15 No, sir. I just know they have shows.
16 Q Do you know of any manufacture that has a showing
17 in this area that pays for the dealers' lodging?
18 A No, sir, I don't.
19 Q You never heard of Forest River doing that?
20 A I'm sure they have select dealers that they might
21 pay for show -- or lodging. But I -- I don't get
22 involved in that. I don't -- it's --
23 Q Well, Forest River's one of your biggest
24 competitors, right?
25 A Yeah.

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1 Q Do you pay attention to their marketing plans?
2 A I pay attention to their products that they
3 build.
4 Q So, you don't pay attention to any of their shows
5 or showings?
6 A No, sir.
7 Q Okay. Is it just a coincidence then that
8 Heartland had a showing on October 22nd, 2008, at
9 the same time Forest River was having a very
10 large dealer showing?
11 A I don't think it was a coincidence, no. It's,
12 you know, same as Keystone and Coachman. I'm
13 sure everybody had a product available for
14 dealers in town to look at.
15 Q I wasn't asking about product available for
16 dealers. I'm talking about a showing. You had a
17 showing at that same time, right?
18 A I'm confused on your question. We had product
19 available for them to look at.
20 Q Yeah. But you also had a showing on that date,
21 didn't you?
22 A Again, I mean, a showing? We just had product
23 lined up, available for them to look at.
24 Q Do you have product available for dealers to look
25 at every day?

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1 A Every day. Every day.
2 Q Okay. Let's go back to what you'd said earlier.
3 You said there were a couple times a year, three
4 or four of them, that Heartland has a showing,
5 right?
6 A Correct.
7 Q What's the difference between a showing and
8 having product available every day?
9 A A showing would be where we would have a group of
10 dealers coming by. A showing every day -- or
11 available every day is, you know, we have a
12 dealer coming in that we've prospected and he's
13 gonna be in town. So he'll come by and look at
14 the product.
15 Q Okay. Now let's look at the showing that you
16 had --
17 A Okay.
18 Q -- October 22nd and 23rd, 2008. Was it just a
19 coincidence you had your showing at the same time
20 Forest River had its dealer show?
21 A I wouldn't say it was a coincidence, no.
22 Q In fact, it was planned that way, wasn't it?
23 A Correct.
24 Q And when did you have that plan? When did it
25 first come up that you were gonna plan to do

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1 that?
2 A I believe we were notified that morning.
3 Q Well, you said a minute ago that it was a couple
4 days beforehand that you had made the decision to
5 have a showing, right?
6 A That the managers would have. The sales guys,
7 we're just told that morning.
8 Q So, until that morning, you didn't know you were
9 going to have a showing?
10 A Just assumed it. I mean, we have them every year
11 when other dealers -- or other manufacturers have
12 their showing.
13 Q You have it every year whenever another
14 manufacturer has its showing? Is that what
15 you're saying?
16 A Pretty much. Dealers will call and tell us,
17 "Hey, we're gonna be in town for such and such
18 showing. We want to stop by and take a look and
19 see what you got available."
20 Q Do dealers call you for that purpose or does
21 Heartland call the dealers when it finds out that
22 a manufacturer is going to have a showing and
23 tries to arrange for Heartland's own showing?
24 A No, sir. The dealers call us --
25 Q I see.

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1 A -- to let us know.
2 Q On October 22nd and 23rd, with regard to the
3 Forest River showing in 2008, did any dealers
4 beforehand call Heartland and say they're gonna
5 be in town and would like to meet with you?
6 A Oh, I'm sure they did, yes.
7 Q Who?
8 A The only one dealer that I can recollect would be
9 a dealer that I'd been working, Wichita RV.
10 Q And who at Wichita called you?
11 A Kent.
12 Q Kent who?
13 A I -- I don't know his last name. I'm sorry.
14 Q How long have you been working with him?
15 A At that time, probably a couple of months.
16 Q And before that time, you had never met him?
17 A I might've --
18 MR. IRMSCHER: Before what time?
19 I'm sorry.
20 BY MR. FOUNTAIN:
21 Q Before October 22nd, 2008, had you met him?
22 A Yes. I met him at his dealership.
23 Q In Wichita?
24 A Yes, sir.
25 Q And this was a couple months before the show?

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1 A Yes, sir.
2 Q Okay. You don't recall his last name?
3 A No, sir, I don't.
4 Q Does he own the company?
5 A Yes, sir. I think his son-in-law owns it and he
6 just kind of carries the note on it, one of those
7 kind of deals where him and his wife are slowly
8 stepping out of it.
9 Q Prior to October 22nd, 2008, how much product had
10 you sold him?
11 A Me personally, none.
12 Q When you say, "Me personally," as
13 distinguished -- did someone else at Heartland
14 have sales with him?
15 A Yeah. He's a Heartland -- he was a current
16 Heartland dealer.
17 Q How was it that you had occasion to first meet
18 with him?
19 A Just the fact that he had said he was gonna be
20 down in that area. So, I was prospecting in the
21 Kansas, Nebraska, Missouri area, so just went out
22 and saw him.
23 Q So, he was already a Heartland dealer?
24 A Correct.
25 Q And you hadn't sold him any product prior to

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1 October 22nd, 2008?
2 A No, sir.
3 Q Have you sold him any product since?
4 A Yes.
5 Q How much?
6 A I think his initial order was five units that we
7 had negotiated prior to him coming out.
8 Q You had negotiated. But he didn't place the
9 order, did he?
10 A It was just -- he just wanted to look at it
11 first.
12 Q So, he didn't place the order before October
13 22nd?
14 A It was tentatively, yeah. But there was nothing
15 on paper.
16 Q And when was it on paper?
17 A It would've been probably a couple of weeks after
18 the showing.
19 Q Do you know if he attended the Forest River show?
20 A I'm sure he did.
21 Q Why are you sure he did?
22 A That's why he was here, to see everybody.
23 Q To see everybody or to see Forest River?
24 A Probably to see Forest River, Heartland and
25 Keystone, whatever product lines they carried.

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1 Q Do you know if he actually went to see Keystone?
2 A Didn't ask. I -- I don't know, sir.
3 Q So, the only one you know that he saw was Forest
4 River, right?
5 A And Heartland, correct.
6 Q Right. And how do you know he saw Forest River?
7 A I just assumed that's why he was there, so he was
8 gonna go see them.
9 Q Why do you assume that?
10 A Generally, dealers do that when they -- you know,
11 someone will have a showing. They will come and
12 see all their manufacturers.
13 Q Prior to the morning of October 22nd, 2008, did
14 you know Forest River was going to have a dealer
15 show?
16 A Yes.
17 Q How did you find out?
18 A Just through the vine, the grapevine, you just
19 always hear it. I'm sure some dealer called and
20 said, "Oh, by the way, I --" in fact, I just had
21 a dealer call this weekend. They're gonna be
22 here in town and wanted to come by and see me
23 while they were looking at other -- other
24 manufacturers.
25 Q Prior to the Forest River show, Heartland

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1 obtained a copy of the list of dealers who were
2 coming and what hotels they were staying at. Do
3 you know anything about that?
4 A I do.
5 Q And how did you find out about it?
6 A I had heard about it.
7 Q From whom?
8 A Just the sales guys at the office.
9 Q Did you hear about it before the show?
10 A It might have been the night before possibly.
11 Q And that's the first you saw that list or heard
12 about that list; is that right?
13 A Heard.
14 Q Did you ever see the list?
15 A No, sir.
16 Q Do you know Bryan Walczak?
17 A Walczak, yes.
18 Q Walczak?
19 A Yes.
20 Q How do you know Bryan?
21 A He's a product manager for Big Country and Eagle
22 Ridge.
23 Q Did you ever work with him?
24 A No, sir.
25 Q Were you aware that Bryan was circulating that

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1 Forest River dealer list around Heartland?
2 A Maybe to management, but not to the salespeople
3 that I'm aware of.
4 Q Are you aware that Heartland's salespeople were
5 requested to contact those dealers?
6 A I was never asked to contact them, so I -- I
7 can't speak for anybody else. But I wasn't, no.
8 Q Were you aware of anyone who was asked to contact
9 them?
10 A I'm sure the managers were.
11 Q Were you aware of any salespeople who were asked
12 to contact the dealers on that list?
13 A No, sir.
14 Q Why are you sure the managers were?
15 A That would probably be their -- their thing. I
16 mean, these showings are -- they're all the time.
17 At a certain time of the year, every
18 manufacturer's having some kind of a showing.
19 It's just, you know, if you're prospecting every
20 day, every day, you're gonna know if a dealer's
21 gonna be there or not.
22 A lot of them tell you, "Hey, we want to
23 come by," but they never show up. You know, they
24 get tied up with dinner or -- or whatever and
25 they never show up.

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1 So, it's really not -- you know,
2 Louisville's our big, big showing. But these lot
3 shows, it's not really that -- that big of a
4 deal, to me anyways. I'm sorry.
5 Q Was the Forest River show in 2008 that big of a
6 deal?
7 A I'm sure it was to Forest River.
8 Q Was it to Heartland?
9 A I don't think it was. We didn't put a lot of
10 time and preparation into it. I mean, I just
11 know that morning we just had units laying out
12 there.
13 Q How many units were laying out there?
14 A I couldn't tell you an exact number, but pretty
15 much everything we had.
16 Q A sample of all the products you had?
17 A Pretty much, yes.
18 Q If I go over there today, are all your products
19 laid out there, too?
20 A Yes, sir. They're against the fence.
21 Q Are they laid out the same way they were at the
22 show?
23 A No, sir. No slide -- not all of them will have
24 slides out.
25 Q So, you had all your products out for display at

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1 the front of of your facility at the time of
2 Forest River's show; is that right?
3 A That is right.
4 Q Now, getting back to this dealer list that
5 Heartland obtained, you said that you were sure
6 the managers were asked to contact the people on
7 that list, right?
8 A Yes, sir.
9 Q Okay. And you said that you were sure because
10 shows happen all the time, right?
11 A Yes.
12 Q Okay. How many other shows of other
13 manufacturers has Heartland gone and obtained a
14 list of the dealers coming to that show from
15 those manufacturers beforehand?
16 A I'm not aware of any.
17 Q Other than the Forest River list for that show in
18 2008, are you aware of any dealer list belonging
19 to other manufacturers that was ever circulated
20 around Heartland?
21 A None. None that I'm aware of.
22 Q Now, you've been selling RVs for a long time,
23 haven't you?
24 A Yes.
25 Q How many years?

1 know in your head how much they've -- they've
2 bought or gotten current in their -- in their --
3 Q I see.
4 A And I'm sure they had their -- their list, you
5 know.
6 Q And when you say how much the dealer had sold,
7 you mean how much they'd bought from you, right?
8 A Correct.
9 Q Well, Heartland has records to show how much a
10 dealer buys, right?
11 A Yes.
12 Q And if the -- and if you wanted to know how much
13 a particular dealer bought from you, you could
14 just go find out, right?
15 A Yes.
16 Q And that's something salesmen normally do, right?
17 A Normally they just use their own dealer list. I
18 mean, it's just -- when you're working a deal,
19 it's realtime. It's right now. You know, you
20 don't have time to research a lot of paperwork.
21 I mean, that's why you're -- you're going on your
22 dealer list, your dealer inventory.
23 Q Your dealer inventory list?
24 A List; yes, sir.
25 Q That's what you use on a daily basis?

1 A Yes, sir.
2 Q Okay. Now, you mentioned, in terms of discounts,
3 there are cash discounts off of an invoice,
4 right?
5 A Yes, sir.
6 Q There's features that you'll give away for free,
7 right?
8 A Yes, sir.
9 Q And you said interest.
10 A Yes, sir.
11 Q What were you talking about?
12 A When these guys -- when the dealerships buy
13 product, they normally floor them through a bank.
14 And they have to pay interest for so many months
15 before they actually pay curtailments where
16 they're actually paying interest and principal.
17 So, we will help them out, as all
18 manufacturers do, and pay what they call the
19 juice, the interest, for a set number of months.
20 Q How do you actually do that?
21 A They send us their statements. The dealership
22 will send us their bank statement. We fill out
23 our paperwork and send all that into Accounting.
24 Q What paperwork are you referring to?
25 A A check request we will send with the dealer's GE

1 bank statement or KeyBank statement, whatever
2 their interest statement is. It has to be their
3 physical interest statement.
4 Q So, you get an actual interest statement from a
5 dealer, fill out a check request, and then you
6 send that to someone at Heartland?
7 A Yes, to Accounting.
8 Q Accounting. And they --
9 A They write the check.
10 Q -- pay it out?
11 A Yes, sir.
12 Q Okay. How often does that happen?
13 A Pretty much every month.
14 Q Does it happen for just about every dealer?
15 A At one time or another, yes.
16 Q Okay. How do you keep track of which discounts
17 you give to dealers?
18 A Exactly. The way it's supposed to be done is
19 there is an incentive form. There's a form that
20 will list the VIN numbers of affected units. And
21 on that form, you will say the dealer got 90 days
22 IR, he got a \$500 sales allowance, or both. And
23 it's on that form with those VIN numbers.
24 If it's product you haven't -- he hasn't
25 built yet, we haven't built yet, it will be TBA,

1 to be announced, you know, so -- but, you know,
2 there's at least ten units. And you'll put on
3 there, "Ten units." So, if you've only got VIN
4 number of three, you know there's seven more
5 coming.
6 Q Now, has it ever happened where after a dealer
7 has bought a product from you he says, "I'm
8 having a tough time selling this product. Can
9 you help me out here?"
10 A Yeah. Yes, sir.
11 Q And what do you typically do then?
12 A You look and see how old the product is.
13 Hopefully you've done your training, you've been
14 there visiting, and you just offer a -- what they
15 call a sales spiff.
16 Q And what's a sales spiff?
17 A It's just a spiff that goes to the salesman.
18 Q Is it an additional discount of some sort or some
19 sort of additional payment or what is it?
20 A It's not a discount. It's just, you know, if you
21 go sell that trailer, I'll give you a hundred
22 bucks.
23 Q How do you keep track of who got those spiffs?
24 A The salesman will have to send in another form
25 that will have his name, address, the VIN number

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1 A Usually, yeah.
2 Q So --
3 A And if it's a current dealer, I may have a copy
4 of it and I may not.
5 Q So, if it's a dealer that someone signed before
6 you, you may not have it in your file?
7 A Yes, sir.
8 Q But if it's a dealer you signed, it would be in
9 your file, right?
10 A Yes, sir.
11 Q What about this dealer inventory list that you
12 were talking about earlier?
13 Would that indicate when you first signed up
14 a dealer?
15 A To a degree, because it would show his -- his --
16 his initial order with a ship date.
17 Q Now, you mentioned that sometimes you take a
18 dealer off that list, right, because they stop
19 selling your product?
20 A Yes, sir.
21 Q How many of the dealers you work with have been
22 with you since Keystone?
23 A Actually, two.
24 Q Okay. Of the original five that you signed up in
25 the first five hours?

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1 units he's gonna buy from you?
2 A No.
3 Q Usually buys the most units after he's tested you
4 out, right?
5 A Correct.
6 Q And how long does a dealer typically take to test
7 you out?
8 A It's all about timing. You know, if he does that
9 in early spring, then you've got all summer for
10 him to do it. If he buys in end of fall, again,
11 you got 'til -- you know, six, seven, nine
12 months. I mean, it could be up to a year.
13 Q So, a dealer typically wants to wait through the
14 summer season; is that right?
15 A Yes, sir.
16 Q Okay. Getting back to this show, October 22nd
17 and 23rd, 2008, did you hear anything about the
18 so-called hotel incident?
19 A I had heard it, yes.
20 Q Okay. And what did you hear about it?
21 A Just that someone had a list. I believe it was
22 Bryan had the list for where the dealers were at.
23 Q Brian Brady?
24 A Bryan Walczak.
25 Q Walczak. And what did he do with that list?

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1 A None of them.
2 Q None of them?
3 A Three of them went out of business.
4 Q Three went out of business. Okay. So, there's
5 two people that have been with you a long time,
6 right?
7 A Yes, sir.
8 Q Has it been your experience all the years you've
9 been selling that dealers typically stay with a
10 company for a certain period of time, then they
11 rotate into something else, move on?
12 A Typically, yes.
13 Q How long, in general, would you say a dealer
14 typically stays with a company?
15 A I -- I don't know, sir.
16 Q Well, let me put it another way. You've signed
17 roughly 40 dealers in the last five years, right?
18 A Yes, sir.
19 Q How many have you lost in the last five years?
20 A 15.
21 Q Okay. And the 15 that you lost, how long on
22 average had they been with Heartland?
23 A No more than four or five years.
24 Q When a dealer signs on with you typically, is
25 that the point in time when he buys the most

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1 A I believe he showed it to upper management.
2 Q Did you ever hear anything about an envelope
3 stuffing?
4 A They did that. I believe -- I believe Bryan was
5 looking for information on products to stuff into
6 an envelope.
7 Q And what did he do with those envelopes?
8 A I didn't do anything with them.
9 Q No. What he do with them?
10 A Oh, I -- I -- I don't know. I was told he gave
11 them to the hotel.
12 Q We saw some e-mails from Bryan asking for people
13 to help with that. Did you get any of those
14 e-mails?
15 A I probably did.
16 Q How did you respond to them?
17 A No.
18 Q Why?
19 A It was late in the afternoon, 5 o'clock, and
20 I'm -- you know, again, I don't -- if my dealers
21 are coming into town, I would think that I have a
22 good enough rapport that they're gonna call they
23 tell me that, "Hey, I'm gonna be there, you know,
24 on such and such a date. You know, if I have
25 time, I'm gonna come by and see you."

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1 You know, I don't have time to -- to stuff
2 packets and drive all over town and -- and, you
3 know, I'm on the road a lot. So, I don't -- it
4 just really wasn't that big of a deal to me.
5 Q You mentioned you had a couple dealers come in
6 and talk to you at that time, right?
7 A Yes, sir.
8 Q But you also mentioned you do a lot of
9 prospecting, right?
10 A Yes, sir.
11 Q Well, why didn't you take that as an opportunity
12 to go prospect new customers?
13 A It's so chaotic and -- and when -- when that is
14 going on. You only get a certain amount of time
15 to be with these dealers because they're there on
16 their lunch break, they're there for a dinner
17 break, they're there just for whatever. They
18 have a very limited amount of time. And I
19 should've done my work prior to them coming down.
20 Q When you say, "when these things are going on,"
21 what are you referring to?
22 A Like we'll have our rallies. And like when all
23 the other manufacturers, Keystone, Forest River,
24 Jayco, Dutchmen, when they have their rally days
25 or they're showing days whatever, the dealers go

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1 out and see all their manufacturers because
2 it's -- you know, it's expensive for them to fly
3 in here and see everybody individually.
4 Q Well, in the case of the Forest River show,
5 Forest River was paying for that, weren't they?
6 A I didn't know that, sir.
7 Q You didn't know that --
8 A No, sir.
9 Q -- at the time?
10 A No, sir, I didn't.
11 Q Kent didn't say to you, "Hey, I'm here on Forest
12 River's nickel."
13 A No. No. He would never say that to me.
14 I -- I don't know why he would say that to me.
15 Q How many times has Kent come to Heartland?
16 A I'm gonna say five, six times.
17 Q When was the last time?
18 A Last year.
19 Q He came last year during Forest River's show,
20 didn't he?
21 A No.
22 Q He didn't?
23 A Actually, he came -- he brought his sales guys.
24 He has his own plane, so he flies in. So, yeah.
25 I mean, it -- he just came in for training.

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1 Q And you say it gets chaotic when these things
2 happen. Did you mean that, okay, in that '08
3 trade show, when Forest River was having its
4 show, the dealers had only a limited amount of
5 time that they could spend with you?
6 A Yes, sir.
7 Q But you said your dealers -- Kent was only there
8 for 25 minutes with you, right?
9 A Uh-huh.
10 Q And you had a couple other people?
11 A Uh-huh.
12 Q How much time did they take up?
13 A Probably no more than that.
14 Q Okay.
15 A It's just, I mean --
16 Q So, an hour and a half out of two days, it would
17 seem that you had a lot of extra time you
18 could've been prospecting.
19 A And that's what I was doing.
20 Q How were you prospecting on those days?
21 A In my office.
22 Q You were calling people?
23 A Absolutely.
24 Q Were you calling people who were in town for the
25 show?

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1 A If I did, I never got ahold of them.
2 Q Are you --
3 A I mean, if I called dealership and they said,
4 "Oh, John, he's -- he's there in Elkhart right
5 now." "Oh, okay. Just let him know I called.
6 If he calls in, just let him know I called.
7 Here's my phone number."
8 Q But you never actually talked to anybody else who
9 was in town at that point?
10 A No.
11 Q Don't you have their cell numbers?
12 A I don't -- a lot of the dealers don't give you
13 their cell numbers, especially if they're a
14 prospect. You know, I have very few cell phone
15 numbers. And those that I do are guys I talk to
16 Sunday afternoon about the Bears game.
17 Q Now, when Bryan was asking for people to help
18 with the envelope stuffing, some people did help
19 him, didn't they?
20 A Yes.
21 Q Do you know who any of them were?
22 A I do not.
23 Q Did you see it happen?
24 A No, sir.
25 Q It happened in the offices in the afternoon,