

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
IN AND FOR THE COUNTY OF MARICOPA

Peter S. Davis, as Receiver)	
of DenSco Investment)	
Corporation, an Arizona)	No. CV2017-013832
corporation,)	
)	
Plaintiff,)	
v.)	
)	
Clark Hill PLC, a Michigan)	
limited liability company;)	
David G. Beauchamp and Jane)	
Doe Beauchamp, husband and)	
wife,)	
Defendants.)	
_____)	

DEPOSITION OF SCOTT ALLEN GOULD

Phoenix, Arizona
June 20, 2019
9:04 a.m.

REPORTED BY:

Annette Satterlee, RPR, CRR, CRC
Arizona CR No. 50179
Registered Reporting Firm R1012

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I N D E X

WITNESS: PAGE

SCOTT ALLEN GOULD

By Mr. DeWulf 6
By Mr. Sturr 145

EXHIBITS

EXHIBIT: DESCRIPTION MARKED/REF'D

962 Articles of Incorporation, 6 23
DenSco Investment Corporation
(CH_EstateSDT_0000753)

963 Confidential Private Offering 6 38
Memorandum, DenSco Investment
Corporation, June 1, 2003
(CH_EstateSDT_0000734)

964 Letter dated August 31, 2005 to 6 56
William Greene from D. Chittick
(CH_EstateSDT_0000052)

965 Letter dated August 28, 2006, to 6 58
Larry Clark from D. Chittick
(CH_EstateSDT_0000024)

966 Private Offering Memorandum, 6 59
RLS Capital, April 26th 2007
(CH_EstateSDT_0000244)

967 Multiple documents re Scott Gould 120 120
(D150998 - D151042)

968 Email dated 5/3/2010 from Denny 122 122
Chittick to Scott Gould
(CH_REC_CHI_0000942)

969 DenSco monthly statement, 122 122
December 2010
(CH_REC_CHI_003042)

1	EXHIBITS			
2	EXHIBIT:	DESCRIPTION	MARKED/REF'D	
3	970	Email string, August 2011,	123	123
4		between D. Chittick, First Trust		
5		Company of Onaga, Wanda Silva,		
6		and others re Statements		
7		(CH_REC_CHI_0005542 - 0005543)		
8	971	Email string, October 2011,	124	125
9		between Denny Chittick and Linda		
10		Banovac, Lawyers Title of Arizona		
11		(CH_REC_CHI_0006378 - 0006380)		
12	972	Email dated 11/18/2010 from Denny	127	127
13		Chittick to multiple recipients		
14		(CH_REC_CHI_0002719)		
15	973	Email string, June 2010, D. Chittick	135	135
16		and David Beauchamp and others		
17		(CH_REC_CHI_0001272 - 0001273)		
18	974	Email string, September 2011,	140	140
19		multiple participants, Re: Investment		
20		Property Information per Your Request		
21		(CH_REC_MEN_0002311 - 0002317)		
22	975	Email string, December 2011,	140	140
23		multiple participants,		
24		Re: Cashier's Check scam		
25		(CH_REC_MEN_0000127 - 0000128)		
26	976	Email string, 7/10/2013, between	142	142
27		Gregg Reichman and Scott Menaged		
28		(CH_REC_MEN_00018292 - 0018294)		
29	REFERENCED EXHIBITS			
30		Exhibit	Page	
31		29	87	
32		67	90	
33		648	136	

REQUESTS TO PRODUCE DOCUMENTS

(None.)

RECESSES

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6	Recess taken from 9:47 to 9:53 a.m.	34
7	Recess taken from 10:38 to 10:44 a.m.	67
8	Recess taken from 12:01 to 12:06 p.m.	120

1 DEPOSITION OF SCOTT ALLEN GOULD commenced at
2 9:04 a.m. on Thursday, June 20, 2019, at the law offices
3 of Coppersmith Brockelman PLC, 2800 North Central
4 Avenue, Suite 1900, Phoenix, Arizona, before ANNETTE
5 SATTERLEE, RPR, CRC, Arizona Certified Reporter,
6 Certificate #50179.

7

8 APPEARANCES

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Phoenix, Arizona
June 20, 2019
9:04 a.m.

* * *

(Exhibits 962 - 966 were marked.)

SCOTT ALLEN GOULD,
called as a witness herein, having been first duly
sworn, was examined and testified as follows:

EXAMINATION

BY MR. DeWULF:

Q. Would you please state your name for the
record.

A. Scott Allen Gould.

Q. How would you like me to address you in the
depo today?

A. Scott.

Q. Scott's good? Okay.

So, Scott, have you been deposed before?

A. Yes.

Q. Multiple occasions?

A. Yes.

Q. Let me just go through three or four things

1 very, very quickly, to make sure your understanding is
2 consistent with ours in terms of this process and
3 procedure.

4 You're under oath to tell the truth today. Do
5 you understand that?

6 A. Yes.

7 Q. So there could be the penalty of perjury if
8 what you were to say today is not true. Do you
9 understand that?

10 A. Yes.

11 Q. What you and I, and Geoff Sturr, counsel for
12 the Receiver, say today will be taken down by Annette,
13 the court reporter, and ultimately end up being in a,
14 what's called a transcript, which is a written recording
15 of what we're talking about. Do you understand that?

16 A. Yes.

17 Q. And that written recording can then be used in
18 court proceedings. Do you understand that?

19 A. Yes.

20 Q. All right. So my goal today is to explore
21 with you your background and your relationship with
22 Denny Chittick, your experience with Denny Chittick,
23 your experience with DenSco, and other people and events
24 that relate to litigation that was filed by the Receiver
25 on behalf of DenSco against my client, David Beauchamp

1 and the law firm Clark Hill. Do you understand that?

2 A. Yes.

3 Q. My goal is to have my questions be understood
4 by you, to be clear, but if I am not clear in my
5 questions, will you let me know and I'll rephrase them?

6 A. I will.

7 Q. All right. Now, if you answer the questions I
8 ask you, I'll assume you understood the question I asked
9 you. Is that fair?

10 A. Yes.

11 Q. My process, Scott, is that I typically try to
12 take a break about every hour or so, but I can do it
13 more frequently than that. And if you have something
14 come up -- I know you're super busy, and I appreciate
15 your taking the time to come down here. So if you need
16 to do something, you need to break, take a phone call,
17 make a call, whatever, just let us know and we'll
18 accommodate you. Again, Geoff and I appreciate you
19 taking the time. This is important to us but I know
20 you've got a life to live and a lot of things going on.
21 So just let us know.

22 So let me go through with you -- what is your
23 present home address?

24 A. 3717 East Hazelwood Street, Phoenix, Arizona
25 85018.

1 Q. Do you have a work address?

2 A. My work office is 4455 East Camelback Road,
3 Suite D -- like dog -- 135, Phoenix, 85018.

4 Q. All right. So you were born in the Midwest.
5 Right?

6 A. Yes.

7 Q. Where were you born?

8 A. Fairmont, Minnesota.

9 Q. Did you graduate high school in Fairmont?

10 A. Yes.

11 Q. What year?

12 A. 1976.

13 Q. And did you attend any post-high school
14 educational --

15 A. I did.

16 Q. -- institutions? Where?

17 A. South Dakota State, University of Minnesota,
18 and Mankato State, which is where I graduated.

19 Q. You graduated --

20 A. Mankato State.

21 Q. Mankato State. What year?

22 A. Approximately 1983. I was working on and off,
23 so that's approximate.

24 Q. Okay. I saw somewhere you had a business
25 degree there. Is that correct?

1 A. It was actually a degree in self-studies,
2 which is -- most of my classes were business degrees.
3 And I wanted a little bit of finance, a little bit of
4 marketing, a little bit of international business. And
5 I don't want to take six years of college, so I just
6 took the classes I wanted and went to the professor and
7 created my own self-study degree.

8 Q. So I want to go through your work career
9 background as early as it started. So share with me if
10 you could your -- when you started working and where,
11 and then we'll try to go -- we'll try to bring you up to
12 date in terms of the career path you took.

13 A. I grew up with a father that was an
14 entrepreneur salesman and a mother that was an academic
15 that had her first child at 16 years old and her second
16 child, which is me, at 17 years old. And she graduated
17 valedictorian of the high school with two kids. And
18 they were very poor, you know, when my mom was 17. And
19 they were very hard-working people, and they built their
20 first house when I was seven years old.

21 And the neighbors were very wealthy people
22 that had nice toys and boats and went to Arizona in the
23 winter. And I reached out to my parents, saying, I
24 would really like to have a go-cart, I would love to
25 have a boat, I would love to have a mini bike. And they

1 said, Well, you can go to work if you would like to, you
2 know, obtain some those things, but we would really like
3 some furniture and curtains in our house.

4 And so it wasn't too hard to see that the
5 neighbors across the street on the lake, you know, were
6 very wealthy people, driving nice Lincolns and
7 Cadillacs -- which we didn't have Mercedes and Rolls
8 Royces in our hometown. So I went and asked them if
9 they had any work that I could do. And before long, I
10 was mowing 25 yards and babysitting a hundred houses for
11 people that went to Arizona in the winter, and washing
12 windows and putting the docks in, and just about
13 everything that they, you know, were wanting to do.

14 And I progressed to working with my father at
15 the age of 12 working at furniture markets in Dallas,
16 High Point, North Carolina, Minneapolis and Chicago.

17 Q. So let me stop you there for a minute.

18 So the furniture business, when did you start
19 that business?

20 A. I started religiously attending six weeks of
21 markets a year when I was 12 years old.

22 Q. So you were selling furniture at 12 years old?

23 A. Yes.

24 Q. And were you traveling with that job?

25 A. No. I didn't have a driver's license at 12,

1 but I did, you know, sell at those four different
2 markets that I just mentioned. And the day I turned 16,
3 I actually went on a two-week trip to Nebraska and
4 called on every single store in the whole state of
5 Nebraska, and continued doing that, you know, as a, you
6 know, one of my second, third, fourth, fifth jobs until
7 I was, you know, mid-20s, when I moved to Arizona.

8 Q. Did you say mid-20s?

9 A. Yes.

10 Q. So what took you to Arizona?

11 A. Well, fortunately, I thought I had enough
12 money to retire when I was 25. And I wanted to be like
13 the neighbors across the street that lived in Minnesota
14 and Arizona. And I was freshly married of two days when
15 I moved out here. So it took me a while to find, you
16 know, what I really was capable of doing.

17 So I taught gymnastics, I worked in
18 restaurants, I became a financial planner. And shortly
19 after we had the 1986 Tax Reform Act and the '87, what I
20 call banking, you know, crisis, it created opportunity.
21 It also exposed a lot of cyclical challenges to our
22 state.

23 Q. All right. So -- I didn't ask you a moment
24 ago and I should have.

25 Were you active in sports in high school and

1 college?

2 A. Yes.

3 Q. What sports?

4 A. In high school, football, gymnastics and
5 tennis were my three strongest sports that I lettered in
6 throughout all of the years. In college, I did
7 gymnastics. And gymnastics was a unique sport that very
8 few people did other sports; they just did it
9 year-round. And coming from a small town that we did
10 everything, I'm actually capable of saying I play golf;
11 I play tennis; I can still run a mile under five
12 minutes; I can still, you know, play baseball with the
13 grandkids.

14 So we were more jack-of-all-trades people
15 coming from a small town than the gymnasts coming out of
16 Chicago like Kurt Thomas and Bart Conner.

17 Q. Were you a scholarship athlete or --

18 A. No.

19 Q. -- did you just walk on to the gymnastics
20 team?

21 A. No. I went to South Dakota State my first
22 year and ended up breaking my big toe, which really
23 curtailed just about everything. And I was running a
24 business selling furniture at the same time and running
25 gymnastics clinics.

1 And so my entrepreneurial skills outperformed
2 my academic and gymnastics reputation of, you know, the
3 normal college success.

4 Q. I read or heard somewhere that you had met
5 Warren Buffett at some point. Is that true?

6 A. I met Warren in Nebraska Furniture Mart when
7 he purchased 51 percent of their stock. And Warren
8 Buffett was just a good, old, midwestern boy that was
9 entrepreneurial driven. And for him to meet a
10 12-year-old boy that worked as hard as I did was a
11 little out of the norm. And I have to agree that I was.

12 So I, I encountered Warren in the furniture
13 business for a number of years. And then I was an
14 advisor to the chief financial officer, CEO, of American
15 Express. And Warren Buffett was also the largest
16 shareholder, you know, of American Express for many
17 years -- I don't know today -- and had a chance to meet
18 him at a couple of meetings that way.

19 Q. So let me explore that American Express
20 experience.

21 Did you actually work with American Express?

22 A. A subsidiary of American Express was IDS,
23 which is a financial planning company.

24 Q. And what years did you work for IDS?

25 A. I'm guessing 1987 to 1995'ish.

1 Q. And what did you do for them?

2 A. A financial planner.

3 Q. What does that mean?

4 A. We worked with mostly individuals or families.
5 I was very good at budgeting. We did a lot of goal
6 setting, which retirement was the largest goal for most
7 people. Sending their kids to college is probably the
8 second, you know, largest financial goal that people
9 had, you know, all the way down to, you know, planning
10 for second homes.

11 And, you know, my biggest pride was trying to
12 say, What is your number, how much money do you need to
13 have working for you to be able to have work by choice,
14 and try to calculate what inflation might be in their
15 life and an expected return. And I was referred to a
16 lot of people in that capacity.

17 Q. And were you working in Phoenix with IDS?

18 A. One hundred percent.

19 Q. Were you doing other things from a career
20 standpoint other than working at IDS for that period of
21 time, that roughly late '80s to mid '90s timeframe?

22 A. I look at work as a four-letter word that kind
23 of defines people's style. And I was always taught
24 that, you know, if you love what you do and you're
25 making money, it's not really work, it's a pleasure of

1 doing something productive.

2 And so that's more my style of looking at my
3 life, is I do things by choice. I've been self-employed
4 most of my life, and we were self-employed even when we
5 were at IDS/American Express, receiving a 1099 versus a
6 W-2. And in 1987, we had the real estate crisis that
7 exposed itself in Arizona, and the banks failed -- or
8 mostly the savings and loans, but several banks were
9 challenged, also. And at that point in time I was
10 exposed to a lot of people that had lines of credit with
11 the banks for building, and they had them pulled. And
12 understanding many of them, you know, went broke.

13 And so I ended up investing some of my own
14 personal money with builders and with people that bought
15 properties from the RTC, which stands for Resolution
16 Trust Corporation, which is a way of liquidating some of
17 the banks' properties back at that point in time at an
18 extremely discounted value. And that was the start of
19 my lending practice, which I was doing it 99 percent
20 with my own money, even though I was a financial planner
21 and on my tax return I've always had about ten different
22 incomes on my tax returns. So the IRS thinks it's all
23 work.

24 Q. All right. Well, but I understand the point
25 you're making. You were an entrepreneur as well as

1 working at IDS.

2 A. Yes.

3 Q. And did you, in connection with becoming a
4 lender in the late '80s in conjunction with bank -- you
5 know, the banks and savings and loans failing and there
6 being a real estate crisis, did you form a business, a
7 formal business that lent money?

8 A. I never created a formal business of lending.
9 I just thought it was an opportunity of the day. And I
10 can look back and say that I probably lent my first \$100
11 million without even having a business card. I just
12 thought that was the opportunity of the day after the
13 banks failed; that there was just a demand, you know,
14 for lending money, which I did.

15 And in the mid '90s, after leaving American
16 Express, I created a variety of companies. One was MGF
17 Funding. Another was Real Estate Equity Lending. And
18 then moving forward, I became a minority support and
19 ownership to companies like DenSco, which we're
20 discussing today, and RLS Capital; Phoenix Loan
21 Holdings; Gould Investments, LLC; DG, LLC; GRS Funding,
22 LLC.

23 Q. All right. So let me back up for a moment.

24 Do you understand the word hard money lending?

25 A. I understand it very well.

1 Q. A lot of my questions are going to be basic,
2 intending that we are able to educate a jury about some
3 of these concepts and businesses.

4 So how would you describe hard money lending?

5 A. I usually educate people in the form of
6 several components to hard money lending is, first of
7 all, they can't get money from a typical bank that would
8 have the ability to create the lowest interest rate
9 structure for the borrower, and when it comes down to it
10 may come down to cost of monies; it may come down to the
11 length of time it requires to get the money; it may have
12 the component of a fee; it may have the component of a
13 prepayment penalty.

14 And I've used the word hard money lending as
15 also fast money. So hard money and fast money, most
16 people need to get their money fast and they're
17 motivated to get them paid off fast. So most hard money
18 that I've been exposed to has been mostly one year or
19 less in terms. On a few occasions, two years, but 99
20 percent has been one year or less.

21 Q. So do you understand the word conventional
22 lending or conventional lenders? Does that term mean
23 anything to you?

24 A. I would have my own interpretation. I believe
25 a conventional is the more normal, formal route with

1 applications, with credit histories being taken,
2 financial statements being supplied, appraisals being
3 obtained.

4 Q. And that would be probably more in the context
5 of a bank or a savings and loan lending money to a
6 borrower?

7 A. They're required to do it by law. Some hard
8 money lenders will obtain all of those things, but most
9 of them are more equity based and marketability based
10 and borrower based.

11 Q. So hard money lending would be an alternative
12 for some borrowers to a conventional lending
13 relationship.

14 A. Yes.

15 Q. So do you recall how you first met Denny
16 Chittick?

17 A. Denny Chittick was employed at Insight, and
18 I'm not for sure if it's Inc. or what, which was a
19 company created by Tim and Eric Crown. And it was
20 Phoenix based. Or Tempe based might be more accurate.

21 And Denny was a student at ASU, which I
22 believe Eric Crown was, also. And their bragging rights
23 is starting their company in a garage and became a
24 billion dollar company in about a decade. And Denny
25 used to tell people that he was the number four person,

1 you know, as far as the first four people in the
2 company, and did a little of everything for them.

3 But my introduction to Denny was after being
4 introduced to Tim and Eric Crown as a co-investor
5 relationship that I had. And Denny was introduced to me
6 by Tim Crown. And Denny started investing also in a
7 company called Real Estate Equity Lending that Tim and
8 Eric Crown had money invested in. And that was the
9 initial relationship in the late '90s.

10 Q. So were you an investor, also, in Real Estate
11 Investment Lending?

12 A. Real Estate Equity Lending. And I was a
13 profit participant in managing the company. I was
14 originally a 50 percent owner, and then they
15 restructured the company where I wasn't an owner at all
16 but still was employed as a contracting relationship
17 with them. And --

18 Q. And you --

19 A. Help me.

20 Q. Were you a co-investor with the Crowns
21 originally?

22 A. Yes.

23 Q. What other investors were there? Do you
24 recall?

25 A. In Real Estate Equity Lending?

1 Q. Yes.

2 A. Many of them were my family members and really
3 close friends of mine.

4 Q. How did you know -- how did you come to know
5 the Crowns? Do you recall?

6 A. I was introduced to Tim Crown right after they
7 had huge financial success -- he would have been
8 probably 27, 28 years old -- by a gentleman by the name
9 of Dan Sager, which I had been a financial planner for.
10 And Sager was a marketing guru that helped them get into
11 IBM and some other companies. Dan said that Tim's
12 looking to build a house and he's looking for a property
13 to buy, and he would also like to learn what you do.

14 And so I helped Tim look for properties and
15 consulted him a little bit for free on what type of
16 house might be realistic for him to obtain and became
17 introduced -- or I was introduced to many of his, you
18 know, close circle.

19 Q. Roughly what timeframe was that when you first
20 met the Crowns?

21 A. Between '93 and '96.

22 Q. Let me go back just to finish up kind of your
23 career path.

24 You mentioned that -- you've mentioned now
25 Real Estate Equity Lending, and then you also indicated

1 that you were providing some management support for a
2 whole variety of companies.

3 Bringing ourselves current, would that be a
4 fair description that you were providing some consulting
5 and management support for a variety of companies in the
6 lending business and other businesses, up to today's
7 date?

8 A. Real estate lending from 1993, forward. And I
9 had a short stint of doing auto financing, which was MGF
10 Funding, which was a different license relationship
11 where we purchased low-quality paper from different
12 dealerships. That was before GPS, so it was much harder
13 to repossess vehicles in those days.

14 Q. For what period of time did you do that
15 low-quality paper automotive work?

16 A. Early '90s for a couple years.

17 Q. Okay. So are you currently providing either
18 management support or consulting to lenders?

19 A. Yes.

20 Q. And does that include RLS Capital?

21 A. Yes.

22 Q. Any other companies?

23 A. ARS Funding; DGL, LLC; and I have different
24 relationships of doing collateral assignments with
25 Pacific Coach Investments, which is owned by Bill

1 Levine; about five different LLC's owned by Elliott
2 Pollack, which is an economist in the southwestern
3 market, mostly real estate based; several of the Zurbeeb
4 CK family which live in Arcadia.

5 Q. All right. So let me show you Exhibit 962.

6 If you look at 962, Scott, it indicates it's
7 an Articles of Incorporation for DenSco Investment
8 Corp., and it identifies you as one of the directors for
9 the company. Do you see that?

10 A. Yes.

11 Q. I think that this is when the company, DenSco,
12 was originally formed. Does this -- if you look at the
13 second page it indicates -- and the third page --
14 there's a date of April 2001.

15 Does that timing square with your memory about
16 when DenSco got started as a business?

17 A. It's 100 percent refreshing my memory.

18 Q. All right. So do you think that you were a
19 part of the founding of DenSco in 2001?

20 A. Yes.

21 Q. And what were your responsibilities at DenSco
22 when it was first formed?

23 A. I had already received a cease-and-desist from
24 being able to solicit or create any type of security.
25 And so that was all happening at that point in time.

1 But Denny Chittick was well known by many
2 investor-type mentalities, and Denny said, I think I can
3 put together a company and create the capital necessary
4 through his solicitations and his relationships. And I
5 was already known at that time as a person involved in
6 real estate lending, and I became a consultant
7 relationship in exposing Denny to different opportunity
8 in the early 2000s.

9 Q. And do you recall how you were compensated for
10 that work?

11 A. In the original agreement, I was to get
12 compensated 50 percent of the profit in the company with
13 no salary, no draws.

14 Q. So were you paid on an annual basis?

15 A. I can't remember that. But it would have been
16 at least annual or less.

17 Q. Do you remember how long you had that
18 arrangement where you were getting 50 percent of the
19 profits of DenSco?

20 A. Just backing up, was it started in 2001?

21 Q. Yes. The date of this document, the articles,
22 it looks like April 2001.

23 A. Well, in the first couple years it started off
24 very, very, very slow. Because Denny thought that he
25 was -- Dennis, or Denny, thought that he was capable of

1 obtaining monies from his various sources. And a lot of
2 the people that he knew, knew him through Insight, which
3 Curt Johnson -- I didn't remember his name until now --
4 was also a counsel for Insight in its very early going
5 and ran a low-overhead, you know, legal operation and
6 was very close to Denny.

7 So most of this paperwork would have been
8 totally created through Denny with me seeing things, you
9 know, much after the, you know, fact. So looking at it
10 today, it's like, Wow.

11 Q. So going back to the timing of things, did
12 your -- the method by which you received money through
13 DenSco, did that change at some point from being a
14 profit participant to something else?

15 A. No. I was always a profit participant in my
16 consideration. I wasn't signing hardly any of the
17 financial side. On the contract side, Denny was
18 handling most of the paperwork and the spreadsheets and
19 the relationships with all of the investors.

20 But I was very involved with what was
21 happening on the street in the 2001 to 2008 timeframe,
22 which consisted mostly of relationships with builders,
23 which I'm very well connected with the building
24 relationship in Arizona, especially Phoenix.

25 Q. So you knew builders who were in need of

1 getting funds from a lender and you could help
2 facilitate the relationship so that DenSco could loan
3 money to the builders?

4 A. Correct.

5 Q. All right.

6 A. Mostly non-public companies.

7 Q. Was there anything else other than -- you said
8 exposing the company to opportunities. Anything else
9 you did in your role with DenSco that you can recall?

10 A. In the early going just creating, you know,
11 promissory notes that were competitive in the industry.
12 And I taught Denny a lot about construction steps. You
13 know, the procedures, helped him a lot on what realistic
14 budgets were for construction, and I helped him create a
15 plan to build his own house and was the referral source
16 for the general contractor, Forte Homes, that built
17 Denny's personal residence which he owned at the time of
18 his death.

19 Q. Is that the property in Terravita?

20 A. Uh-huh.

21 Q. Yes?

22 A. Yes.

23 Q. So DenSco's focus in terms of its lending
24 activities in the early 2000s would be primarily to
25 homebuilders?

1 A. Yes.

2 Q. And did that change at some point?

3 A. Sometime in the middle of 2008 we had a
4 financial meltdown nationally, and globally to some
5 aspect, that happened in a two- to three-week period of
6 time. I think Bear Stearns was one of the first
7 companies on Wall Street that crashed. Within a matter
8 of two to six weeks later, Merrill Lynch had crashed,
9 which is a well-known name in the financial world. And
10 the number of savings and loans in Arizona that -- and
11 some banks that ran into difficulty, I'm going to say it
12 was about a six-week timeframe that was just a tumbling
13 block in the financial industry.

14 The "A" paper lending, which you might have
15 referred to earlier as conventional lending, went into a
16 crisis, and the values in Arizona real estate dropped,
17 with the largest drop coming with bare, undeveloped
18 land, to developed land, to condominiums next in order,
19 all the way up to what I call a very sound financial
20 neighborhood where you and I live in Arcadia where there
21 was a lot of people that had significant equity to
22 owning homes free and clear. And so nobody can go broke
23 if they own something free and clear.

24 That leverage can be looked at as the
25 difference between 100 percent equity and zero percent

1 equity.

2 Q. So you're saying that this recession that hit
3 in 2008, the meltdown, affected virtually everybody in
4 the real estate market.

5 A. And banking.

6 Q. Okay. And so that then presented, I guess --
7 as with any unfortunate circumstances, sometimes
8 opportunities are presented. And did DenSco refocus its
9 business then from homebuilders to something else?

10 A. I would say the whole next year and a half
11 went into "survivalship" mode. And some of the
12 competitors that were leveraged portfolios ended up
13 shutting their doors, to the most famous one being
14 Mortgages Limited, where the chief financial officer
15 committed suicide. And there was a number of other
16 suicides that happened at that point in time nationally
17 in the industry of banking.

18 And so it was about a year and a half to two
19 and a half years before real estate did what I call
20 basing, where we thought the values had hit bottom. And
21 so that could have been somewhere in the 2010 to
22 2011-and-a-half timeframe. And you never know that July
23 24th was the bottom. You, you have to go through a
24 period of time before you feel like there's a bottom.
25 And lot of people were not happy, successful financial

1 people at the bottom. They were just starting to look
2 for opportunities. And the opportunities at that point
3 in time became the foreclosure purchasing of real estate
4 with a lending opportunity to the foreclosure industry.

5 And so DenSco and just about every other hard
6 money lender switched in that 2010-and-a-half, '11, '12
7 timeframe to being a foreclosure lender. And I was
8 involved with DenSco in the very early part of it. And
9 unlike knowing construction qualities and materials and
10 budgets and that, I had a very short relationship for
11 the next year of helping Denny, you know, relate to that
12 industry.

13 And he had got himself back into the financial
14 black in 2011 or '12 as a company. We hadn't been paid
15 for several years. And he said: Scott, you know, I
16 really think I can run the company, you know, without
17 you; you're financially secure; is it okay if I just,
18 you know, move on forward with me being the sole
19 operator of the company?

20 And I really can't tell you if my last
21 paycheck was 2008 or 2009, but I'm guessing it was 2007
22 or '8.

23 Q. Okay. I got a little confused on the timing,
24 because I thought you were talking about 2011 or 2012
25 when he got in the black. And then you had this

1 conversation. Do you think --

2 A. Yeah. He -- the volume was really just a
3 cleanup volume. In 2009, '10 he bought some of the
4 properties himself with his own money. The lending
5 opportunities were super, super low, so I wasn't part of
6 hardly any meetings. He had built his new house, he had
7 gotten married. You know, he started the family life,
8 and I did the same. I just didn't create kids, I
9 inherited them via marriage.

10 So our lives went different directions. His
11 wife was no longer a cheerleader, you know, for the
12 Suns, which I was a season ticket -- or patron of 90
13 percent of the games. And that's where I became more of
14 a social friend of Denny, was both of us being at the
15 Suns games.

16 Q. So let me ask. When do you think you ceased
17 having a formal role within DenSco where you were
18 actually earning income?

19 A. Well, I think since the pay plan was only
20 profit-based, I could say that it probably stopped in
21 2008. To say when Denny made it clear that, I'm not
22 looking for any, not one percent, help from you, not
23 one-tenth of a percent from me, would have been more
24 like the 2011-2012 timeframe.

25 Q. So you stayed apprised of the company's

1 business until 2011 or 2012, even though you hadn't
2 really made any income since the recession out of
3 DenSco.

4 A. I was in tune with many of them. Because a
5 lot of the lenders that -- a lot of the borrowers that
6 he lent money to were also people that I lent money to
7 with my own personal money and with other companies.

8 Q. Okay.

9 A. And I think it's important to say that
10 Denny's -- my role with Denny, I doubt that there was
11 ever one year that my total compensation was more than
12 five percent of my total. So I looked at it as a very,
13 very, very minority interest in my, you know, economic
14 participation.

15 Q. As it relates to -- well, was it always a
16 profit participation as opposed to receiving
17 compensation by the hour or some other form?

18 A. 100 percent profit participation.

19 Q. Do you recall, in the timeframe where DenSco
20 was profitable, the most you ever made out of DenSco
21 over a year's time?

22 A. Most likely would have been 2005 and 2006.
23 And I really can't tell you if it was \$30,000 or
24 \$70,000.

25 Q. So you indicated that in the aftermath of the

1 recession, the market started coming back maybe 2011,
2 maybe -- 2010, maybe 2011. But did there come a time
3 where DenSco's focus became more on the purchasing
4 properties -- or lending for purchases of properties
5 through foreclosure sales as opposed to homebuilders?

6 A. I think it would have been almost 100 percent
7 about-face, from 2007 being vertical construction loans
8 to probably a super-high percentage as being
9 foreclosures in that 2011-2012 transition.

10 And when I say a super-high percentage, there
11 could have been somebody buying a project of an 80
12 percent completed house in 2008 and somebody purchased
13 it and needed that small amount of construction monies
14 to finish it or re-put it together.

15 Q. And let me just, for folks who might not
16 understand, when DenSco was lending money in connection
17 with a foreclosure sale, it was a situation where DenSco
18 would loan money to a borrower who was purchasing a
19 property out of a foreclosure sale?

20 A. Yes. From a trustee's sale.

21 Q. Okay. And when we use that term trustee's
22 sale, in Arizona, lenders will get security in a
23 property upon which they're lending money through the
24 form of a deed of trust?

25 A. Correct.

1 Q. And in the event of default there are
2 mechanisms, both under the documents that the borrower
3 signs and through statute, that provide for what we
4 would call a foreclosure process or a trustee's sale?

5 A. Yes.

6 Q. So that if a borrower under a loan were to
7 fall into default, there would be notice provisions
8 under the documents, an opportunity to bring the loan
9 current; but at some point in time if the borrower is
10 not able to pay the debt, that property that secures the
11 loan could become the subject of a trustee's sale.

12 Correct?

13 A. Yes.

14 Q. And a trustee's sale typically is overseen by
15 a trustee who is identified typically in the loan
16 documents?

17 A. Yes.

18 Q. And those folks -- trustees are typically
19 folks who do that as part of their business. Right?

20 A. Correct.

21 Q. All right. And under a deed of trust,
22 typically the term "trustor" is the person who is
23 borrowing the money?

24 A. Yes.

25 Q. And the beneficiary typically is the lender;

1 correct?

2 A. Correct.

3 Q. And in the case where DenSco is lending money
4 where their loan is secured by a deed of trust on the
5 property, they would be the beneficiary under the deed
6 of trust.

7 A. Correct.

8 Q. All right. And the deed of trust is a
9 mechanism whereby once a borrower has defaulted on a
10 piece of property, it allows that property to be sold at
11 a public sale, called a trustee's sale, which allows
12 other parties to step in and bid and try to buy that
13 property. Right?

14 A. Yes. I think you have to recognize you can
15 have a first position deed of trust and a second
16 position deed of trust. And first position is highest
17 priority in front of everybody with the exception of
18 real estate taxes.

19 Off the record. Can I go to the bathroom for
20 30 seconds?

21 MR. DeWULF: Yes. Let's take a break.

22 *(Recess taken from 9:47 to 9:53 a.m.)*

23 BY MR. DeWULF:

24 Q. So when we broke, Scott, we were talking about
25 first and second position deeds of trust. And if you

1 could explain the significance of that, being in first
2 position versus second position, in the form of this
3 security for loans that are made. If you could --
4 again, with an audience of being a jury who may not have
5 a lot of experience in this area.

6 A. Yes. We were referring to the beneficiary as
7 the bank on a deed of trust that is part of wanting to
8 get paid off at the time of a sale. It could be the
9 foreclosure sale or it could just be the owner of a
10 property selling a property. And title companies are
11 the ones that typically handle real estate transactions,
12 and they research the title and say who has to get paid
13 off first, second, third, fourth.

14 And as I had mentioned lightly, real estate
15 taxes carry the highest priority pay as a given, and
16 then we go to recorded documents. And recorded
17 documents would be first position deed of trust, which
18 has to get paid 100 percent before anybody in what we
19 think of as an inferior position, being a second
20 position, third position, fourth position.

21 And you hear a lot in just general
22 conversations, Do you have a second? Very few people
23 talk about a third or a fourth. But as a lender, the
24 highest security is to be a first position deed of trust
25 secured with the most equity possible.

1 Q. And by equity, we're referring to the value of
2 the property beyond the amount of the lien on the
3 property?

4 A. Simple terms, if a property is worth \$100,000
5 and you have a lien against it for \$70,000, you think of
6 having a 70 percent loan-to-value.

7 If you have a lien for \$100,000 and the
8 property is only worth \$99,000, you could say that
9 you're negative \$1,000 of equity.

10 Q. So in your example of a \$100,000 property and
11 a \$70,000 loan being secured against the property with a
12 deed of trust, would there be \$30,000 worth of equity?

13 A. After you pay for real estate taxes --

14 Q. Right.

15 A. -- and small incidentals and maybe real estate
16 commissions. So we often think of just
17 transaction-oriented costs can often be five to eight
18 percent.

19 Q. I understand.

20 A. So the difference between the 100, minus five
21 to eight and your loan, would be your equity.

22 Q. So the value to a lender to have equity in the
23 property against which they're lending money and
24 securing a deed of trust is that in the event of a
25 foreclosure or a trustee's sale, there would be value

1 exceeding the amount of the loan and there would be
2 interested buyers to purchase the property and that kind
3 of thing?

4 A. Yes.

5 Q. Now, you used the word "recorded." And as it
6 relates to priority liens, where do you record a deed of
7 trust?

8 A. Title companies in the last decade have been
9 able to record at their office. The company I'm
10 currently a consultant for, real estate -- or RLS
11 Capital, they have recording relationships set up that
12 they can do it.

13 In the old days, you used to go to the county
14 recorder, which was either just off of Highway 60 in
15 Mesa or downtown, part of the courthouse, as a place of
16 recording that document.

17 Q. So this is a public record. And if someone
18 were to want to know if there are liens against a
19 particular property, they could look that property up in
20 the public records and determine what the recording
21 status was for that property?

22 A. I would like to say yes, but our government's
23 not that efficient to say that if it's recorded at 12:00
24 o'clock, you cannot go on line at 12:01 and see that
25 it's recorded. Sometimes it can take, you know, up to

1 several days before it shows.

2 Q. I understand. So there might be some delay
3 between something actually being recorded and it
4 reflecting as a matter of public record. But, generally
5 speaking, a party could, through efforts either with a
6 title company or directly, determine what liens are on a
7 particular property?

8 A. Yes. And I, I like to say that it's stamped
9 by the minute. So when you record something, it will
10 say recorded 12:58 on that day. So something recorded
11 at 12:59 becomes a second position behind the first
12 position.

13 Q. So the document has a date stamp on it, time,
14 day, and date; correct?

15 A. Correct.

16 Q. So that would allow someone to look at it and
17 determine whether it was superior or inferior to another
18 lien that would also be date stamped; correct?

19 A. Yes.

20 MR. DeWULF: Off the record.

21 *(An off-the-record discussion ensued.)*

22 BY MR. DeWULF:

23 Q. I'll show you Exhibit 963.

24 So Exhibit 963, Scott, is entitled
25 Confidential Private Offering Memorandum, DenSco

1 Investment Corporation, June 1st, 2003.

2 Do you think you would have seen this document
3 back in the day?

4 A. I doubt that I read it, but I would have been
5 privy that Denny created it.

6 Q. All right.

7 So let me go first to -- if you thumb through
8 this document, there are obviously page numbers on the
9 document, and then there are also stamps down in the
10 lower right-hand corner. And so I want you to go to
11 what is the number one page, and it's stamped 734. The
12 title at the top is Memorandum Summary.

13 Do you see that? Are you there? Keep going
14 to -- there should be a --

15 A. Where it says --

16 Q. -- document that looks like this. The page
17 looks like that.

18 A. Okay.

19 Q. So there is a description of the company. And
20 let me read it to you and you can follow along:

21 Densco Investment Corporation, an Arizona
22 corporation, ("the "Company"), is an Arizona corporation
23 with a limited operating history, profits or losses.
24 The Company will be engaged primarily in funding
25 purchases of houses at foreclosure sales and funding and

1 purchasing construction loans, all of which will be
2 secured by real estate deeds of trust, ("Trust Deeds")
3 to Arizona builders of new commercial and residential
4 properties with defined loan-to-value ratios.

5 Did I read that correctly?

6 A. Yes.

7 Q. And was that your general understanding of the
8 business of DenSco in the early 2000s?

9 A. Yes.

10 Q. All right. So let's go to page four. At the
11 bottom of the document you'll see -- and there is a
12 heading called Referral Network. Are you there?

13 A. Yes.

14 Q. It says:

15 On an aggregate basis, the Company intends to
16 loan approximately 75 percent of its real estate loan
17 base to referrals from the referral network that
18 Mr. Chittick has developed.

19 To your knowledge was that a true statement?

20 A. Yes.

21 Q. It goes on:

22 One of the Company's referral sources,
23 Maricopa Investors Alliance ("MIA") refers a number of
24 potential borrowers to the Company.

25 Let me just stop there. Did you know who

1 Maricopa Investors Alliance was?

2 A. I can't remember.

3 Q. And then it goes on and says:

4 Another referral source, NBI, LLC, ("NBI")
5 also refers a number of potential borrowers to the
6 Company.

7 Do you know who NBI was?

8 A. Joe Cook.

9 Q. Is that Joe Cook?

10 A. Uh-huh.

11 Q. Yes?

12 A. Yes.

13 Q. And what business was NBI in?

14 A. It was a wholesaler that purchased things at
15 foreclosures and had a number of borrowing/lending
16 relationship opportunities.

17 Q. Then it goes on to read:

18 In addition, Scott Gould, a consultant to the
19 Company, refers potential borrowers to the Company.

20 And you mentioned that earlier; correct?

21 A. Yes.

22 Q. The last sentence reads:

23 To the extent that MIA, NBI or Mr. Gould would
24 refer these potential loans to a different lender, this
25 could have an adverse effect on the anticipated demand

1 for the Company's real estate lending services.

2 Did I read that correctly?

3 A. Yes.

4 Q. So how did -- you indicated earlier in your
5 testimony that Denny Chittick handled the paperwork for
6 DenSco. Is that right?

7 A. Yes.

8 Q. And the role you played was to consult for him
9 in connection with both management and to introduce some
10 of the folks with whom you had a relationship?

11 A. Yes.

12 Q. Any other things you would share with us in
13 terms of the role you were playing?

14 A. In the early going I did a lot more of the
15 inspections. And then Denny took that over a couple of
16 years into the process.

17 Q. Let me go to page five. It talks about the
18 value of the company's assets.

19 Do you recall that DenSco was getting funding
20 from investors who loaned money through the form of
21 general obligation notes to DenSco?

22 A. Yes.

23 Q. Were you ever an investor to DenSco?

24 A. I don't think so.

25 Q. Okay. We'll look at some documents. Maybe

1 you can explain it to us.

2 Let me go to page seven. There's a heading,
3 Dependence on Key Personnel. It's about halfway down.
4 Do you see that?

5 A. Yes.

6 Q. It reads:

7 The Company is dependent on the continued
8 services of Mr. Chittick and the service of outside
9 consultants and could be adversely affected by the loss
10 of Mr. Chittick or the loss of service of a key
11 consultant if a qualified replacement could not be found
12 without undue delay.

13 Did I read that correctly?

14 A. Yes.

15 Q. Do you remember any other outside
16 consultants -- well, do you remember any outside
17 consultants that Denny Chittick utilized at DenSco?

18 A. I don't know where you want to define if
19 you're looking for legal counsel or if you're looking
20 for just different wholesalers as consultants or --

21 Q. I appreciate that --

22 A. -- mortgage brokers.

23 Q. -- that comment.

24 So he had an outside accountant. Right? Do
25 you recall that?

1 A. I don't recall that.

2 Q. He had an individual at least for some period
3 of time, a guy named David Preston, who provided some
4 tax work for the company. Do you recall that?

5 A. I recall that name.

6 Q. And do you remember any other non-lawyer
7 consultants sitting here today?

8 A. No.

9 Q. Would you call yourself a consultant in the
10 timeframe where you were a director and had a
11 profit-sharing interest?

12 A. Ask that one more time.

13 Q. Would you call yourself a consultant in the
14 2000s for DenSco? Or would you describe yourself just
15 as a profit interest holder?

16 A. I described myself as a consultant all the
17 time because that was the role that I was officially
18 playing.

19 Q. I understand. So the heading -- the next
20 heading, Scott, is Management's Outside Interests and
21 Conflicts of Interest. And it references the fact that
22 you also consult with Real Estate Equity Lending, Inc.,
23 ("REEL"). Do you see that?

24 A. Yes.

25 Q. And this was an entity with whom you consulted

1 for an extended period of time?

2 A. Yes.

3 Q. And that was the entity you mentioned earlier
4 that would have been formed and had, as at least some of
5 its investors, Eric and Tim Crown?

6 A. Yes. I think more important is most of my
7 family and friends had their money in Real Estate Equity
8 Lending.

9 Q. I understand. Does that entity still exist?

10 A. No.

11 Q. When did it stop doing business? Do you
12 recall?

13 A. I don't know when they stopped doing business.
14 I was let go from that company I think the first week of
15 January or the -- in January of 2008, before the crash.

16 Q. Do you remember what the circumstances were?

17 A. There was three people heavily involved. Mike
18 Coffman, which controlled all of the stock, which was
19 Tim Crown's roommate from college; and there was myself;
20 and then there was Robert Koehler, who was very young at
21 the time but a very active part of the daily activities
22 in the company.

23 And Tim Crown had become very successful in
24 traveling the world and having lots of fun, and Mike was
25 his best friend. And Mike was constantly traveling with

1 Tim and not doing any work. He wasn't part of
2 inspecting, he wasn't part of relationships, he was just
3 getting paid his million dollars a year for being Tim's
4 friend.

5 And so we asked him to say that we either want
6 you to start participating in the work or we would
7 prefer to split the company and create a new company.
8 And he came back a few weeks later and said: I own the
9 stock; you guys are gone.

10 Q. Who else did he kick out other than you?

11 A. Robert Koehler.

12 Q. Let's look at page 12 of this document,
13 Exhibit 963. It has a heading of Business at the top
14 and then there is a subheading, Target Markets and
15 Potential Future Markets.

16 Why don't you look at that to yourself and
17 then I'm going to ask you a couple questions about it.
18 Just that first paragraph, if you could.

19 A. Yes.

20 Q. Is that a fair description of what DenSco's
21 business was as of 2003?

22 A. I'm actually looking at this in retrospect and
23 saying I'm shocked that there was as much foreclosure
24 lending at that time. But obviously, in recollection,
25 there must have been a certain amount of foreclosures

1 happening to write it this way, and I'll agree that it
2 was even though my, my involvement as a strength was
3 more on the vertical construction.

4 Q. So --

5 A. And I have to point out, foreclosure sales are
6 much easier to lend on than vertical construction,
7 because usually it's just a lump sum versus having
8 several draws. And most of the people have been
9 attracted to foreclosure lending, because if somebody
10 says I need a hundred thousand, they have a hundred
11 thousand in their account, they can write the check for
12 a hundred thousand -- or wire or whatever money
13 transaction -- and they don't have to worry about what
14 do I have to give tomorrow, tomorrow, tomorrow,
15 tomorrow.

16 Q. In other words, if you're loaning money on the
17 construction of a house, you tie the monies to stages of
18 the construction of the home. Right? So it may take a
19 while to get the loan completed. Right?

20 A. Yes.

21 Q. Whereas, in a foreclosure sale or a trustee's
22 sale, you're making a determination of value as of that
23 point in time, and you can purchase the property right
24 then and you can determine the loan-to-value ratio right
25 then. Right?

1 A. The loan-to-value ratio was often looked at on
2 day one and what we might think it's going to be one
3 week later after it's cleaned up, new locks on it, maybe
4 some windows replaced.

5 So, you know, the loan-to-value, we always
6 hoped that it would be very attractive on day one, but
7 many times it was a relationship of saying that within
8 one week it would have a significant value.

9 Q. So here the indication is that the company
10 would seek not to exceed a 70 percent loan-to-value
11 ratio. Do you see that?

12 A. That was the goal at that time.

13 Q. And later, if you look down a couple
14 paragraphs, it talks about an objective goal of 50
15 percent to 65 percent. But what we're saying there is
16 DenSco's intentions was that the amount of the loan
17 being funded was only worth 70 percent of what is the
18 total value of the property. Right?

19 A. I agree.

20 Q. Okay. Which, again, gives you that cushion of
21 equity, which is a good thing as a lender. Right?

22 A. Yes.

23 Q. And then it goes on and talks about the length
24 of the loans, and we talked about that already. But
25 they're generally short-term loans and the loans were

1 generally at a 12 percent or greater?

2 A. Yes.

3 Q. And this description that we're reading and
4 you're looking at, did that continue to be, to your
5 knowledge, the goal of DenSco over time? That is, to
6 have favorable loan-to-value ratios, have a yield of 12
7 percent or greater on the loans and to have them tend to
8 be short-term maturities?

9 A. You mentioned the word after. I really
10 consider myself having virtually no involvement in the
11 company past 2012.

12 Q. All right.

13 A. So I don't like to speak for Denny.

14 Q. I understand.

15 Up to 2012, when you were still knowledgeable
16 about what was going on at DenSco, would the description
17 that we've just gone through be an accurate portrayal of
18 what DenSco was trying to do?

19 A. Yes.

20 Q. All right.

21 Let's look at page 14. There's a heading,
22 Diversity of Risk, and the first sentence reads:

23 The Company will attempt to maintain a diverse
24 portfolio of trust deeds and loans by seeking a large
25 borrowing base participating in several local markets,

1 acquiring trust deeds for any lending into residential
2 and commercial projects, establishing loan-to-value
3 guidelines and limiting financing to short terms.

4 Did I read that correctly?

5 A. Yes.

6 Q. And would that be an accurate description of
7 what DenSco's intentions were in the 2000s when you were
8 there?

9 A. That was a heavy part of my guidance because I
10 really thought that diversification was so important,
11 never knowing who was going to die when and what
12 happens. So my value to DenSco was helping him have a
13 greater number of borrowing base.

14 Q. So had Denny Chittick been an investor at
15 REEL? Real Estate Equity?

16 A. Yes.

17 Q. And did he continue to be an investor there
18 even while he was owning DenSco?

19 A. I would believe not, but I don't have proof of
20 it.

21 Q. All right.

22 A. I don't think so.

23 Q. But he would have gained experience -- prior
24 to forming DenSco, he would have gained experience in
25 the lending business at REEL; correct?

1 A. Yeah. He actually mentored with Robert
2 Koehler and myself and Mike Coffman for somewhere
3 between six and 12 months before deciding to create a
4 company.

5 Q. When you use the word "mentored with," does
6 that mean someone was a mentor for you and you were a
7 protege? Or does it mean you were mentoring others?

8 A. We were mentoring Denny.

9 Q. Okay.

10 A. And he really had hoped to go to work with
11 Real Estate Equity Lending. And between Mike Coffman
12 and Tim Crown's influence to Mike Coffman, he said: I
13 don't think you need Denny. And that's when, you
14 know -- and Denny was like in shock. And I felt sorry
15 for Denny because I thought that, you know, Mike would
16 be willing to hire him, and he didn't.

17 Q. Who else mentored Denny while he was at Real
18 Estate Equity, other than yourself?

19 A. Robert Koehler.

20 Q. I didn't cover this and I should have.

21 What was the general business that Insight was
22 involved in?

23 A. They, they were distributors marketing for
24 lots of different computer high-tech properties. So
25 somebody might be calling for Brand X, and the telephone

1 rang into Insight and they may have been paid a
2 percentage for distribution. And in the early going,
3 they paid for all of their marketing. And when they
4 became big, they got millions of dollars of advertising
5 allowances from many of its suppliers.

6 And I'm not a computer guy, so for me to be
7 names dropping all the different suppliers of computer
8 equipment, I would be bad.

9 Q. But it was mainly computer equipment that they
10 were involved in selling?

11 A. Since I hardly turn on a computer today, I'll
12 stay very short in my knowledge.

13 Q. Okay. But that was your general
14 understanding?

15 A. Yes.

16 Q. All right. So let me ask. Under Diversity of
17 Risk, that second paragraph that begins, "Because of,"
18 it references that Mr. Chittick had made loans secured
19 by real estate over the last six years.

20 And so would that square with your -- and,
21 again, this document is dated 2003. So do you think
22 Mr. Chittick would have started in the process of
23 lending money on real estate in roughly 1997 or so?

24 A. He might have been stretching it to say that
25 his involvement in Real Estate Equity Lending as a

1 passive investor versus an active investor. But, yes,
2 he would have been involved for three, four, five years
3 prior to the formation of DenSco under that very first
4 exposure with Curt Johnson that you referred to.

5 Q. And that was 2001, if you recall.

6 A. Yeah.

7 Q. So you think he would have -- he, Denny
8 Chittick would have been involved in the lending
9 business probably back to the mid-1990s?

10 A. More passive in the early going. And I, I
11 think I did one or two small deals with him before Real
12 Estate Equity Lending was even formed. So he can say he
13 had the right to say that he had done something.

14 Q. I understand. Now let's look at page 16.
15 We're almost through this document.

16 Under the heading Prior Performance, I want
17 you to focus on the fourth paragraph that begins, "All
18 real estate loans."

19 Do you see that paragraph?

20 A. Yes.

21 Q. It reads:

22 All real estate loans funded by the Company
23 have been and will be secured through first position
24 trust deeds. The loan-to-value ratio of the Company's
25 overall portfolio has averaged less than 70 percent and

1 the Company intends to maintain at least this ratio.

2 Did I read that correctly?

3 A. I find it interesting the top line says Prior
4 Performance and then it refers to the future on the
5 fourth paragraph. But you did read it correctly.

6 Q. Well, it does read "have been and will be."
7 Right?

8 A. Yes.

9 Q. So it covers both.

10 A. Right.

11 Q. So was your understanding during the time you
12 were at DenSco that the company intended to secure their
13 loans with first position trust deeds?

14 A. Yes.

15 Q. And, again, the significance of that is to
16 provide DenSco the best security possible in the event
17 that there are defaults and there needs to be a
18 trustee's sale. Correct?

19 A. I'm not going to use 70 percent as the best,
20 because 90 percent equity would be the best, or 99
21 percent. You know, where somebody put 99 percent down
22 and you made a loan for one percent.

23 But 70 percent was the goal, which was better
24 than 80 and less than 60.

25 Q. My question wasn't very good. Let me break it

1 down.

2 As it relates to first position trust deeds,
3 that first part of that statement, the significance of
4 that is that it does then provide DenSco the best
5 position in the event of a default and a trustee's sale.

6 Right?

7 A. Yes.

8 Q. And the second part is the loan-to-value ratio
9 of -- I guess the aspiration being 70 percent
10 objectively, perhaps something more, the greater -- or,
11 I'm sorry. The greater the equity, the better off the
12 lender is. Right?

13 A. Correct.

14 Q. So the lower the loan-to-value ratio the
15 better off the lender is.

16 A. Correct.

17 Q. Page 17. And, again, it identifies Denny
18 Chittick as being the director and executive officer.

19 Do you know if you were still a director of
20 the company as of 2003?

21 A. I, I do not think so, because I was trying to
22 dissolve myself of all involvements of ownership and
23 being able to be attacked for, you know, previous cease
24 and desist on obtaining monies from people.

25 Q. So let me ask you to look at Exhibits 964 and

1 965. Let's take 964 first.

2 It's a letter dated August 31, 2005. It
3 references -- it's to a William Greene. Do a remember a
4 William Greene, sitting here today?

5 A. I don't.

6 Q. He indicates -- "he" being Denny Chittick in
7 his letter, he says:

8 "I know that you spent time with Scott Gould
9 this last week here in Phoenix. He said you guys are
10 friends and known each other quite a while."

11 It looks to be kind of an introductory letter.
12 But this would be consistent with at least the role you
13 played in part at DenSco, which is to introduce folks
14 that you knew to DenSco for possible business for
15 DenSco?

16 A. It was not my goal. I can't help when people
17 call me. And I get referrals probably five times a day
18 with people saying: Can you help me?

19 And so if people contact me and ask me a
20 question, I do answer. And if you said, "Where are all
21 your different investment choices in Phoenix," I usually
22 keep it down to three or four minutes. I'm not going to
23 spend, you know, five days on the phone with people
24 telling them every single choice that you can talk to in
25 Arizona.

1 Q. But that would be something --

2 A. It was not my goal.

3 Q. No --

4 A. It was not --

5 Q. -- I understand.

6 A. -- my goal --

7 Q. Let me --

8 A. -- or part of the company.

9 Q. Let me rephrase it.

10 A value to DenSco was the fact that you knew a
11 lot of people and you might introduce them to DenSco.

12 Right?

13 A. My, my goal was the lending relationship. And
14 securities would love to try to suggest that, no, no,
15 no, no, no. And I will stand behind it 100 percent. My
16 goal was never to be the capital raiser, but to say
17 that, you know, Do you know anybody that likes The
18 Village? And I say, Oh, yeah, I know John DeWulf, he
19 goes to The Village all the time, he really likes it.

20 I'm not looking to benefit from saying that,
21 Oh, John's going to meet this other perfect workout
22 partner.

23 Q. I understand. Did they mention Geoff Sturr
24 when they talked about the perfect workout partner? Did
25 that come up?

1 MR. STURR: No. My wife. Don't talk
2 about her.

3 THE WITNESS: So you'd make the payment.
4 BY MR. DeWULF:

5 Q. Okay. Let me ask you to look at 965.

6 Do you remember Larry Clark?

7 A. I don't remember him.

8 Q. Do you remember --

9 A. Oh.

10 Q. He was a homebuilder at one point here in the
11 valley.

12 A. Yep.

13 Q. Does that bring ring a bell?

14 A. I was introduced to him once very quickly
15 through his accountant.

16 Q. So it just would have been -- this is just a
17 reflection that Denny Chittick is reaching out to Larry
18 Clark to see if Larry might be interested in investing?
19 Is that the gist of the letter?

20 A. What's the date on this? Yeah.

21 Q. August 28, 2006.

22 A. So Larry Clark was a homebuilder that I
23 recall. I don't know what company. But I think that an
24 accountant attorney that works out at The Village also,
25 Mike Wall, was his accountant.

1 Q. All right. So how we doing? You want to take
2 a break or are you good? Want to keep rolling?

3 A. I'm good for 15.

4 Q. All right. I'm going to show you Exhibit 966.
5 Could you identify this document for the
6 record.

7 A. It's a Private Offering Memorandum by RLS
8 Capital.

9 Q. And it's dated April 26th, 2007?

10 A. Yes.

11 Q. And RLS Capital is an entity that you were a
12 consultant for?

13 A. Yes.

14 Q. And Robert Koehler is one of the interest
15 holders in this entity?

16 A. One of the three.

17 Q. And did he help form it?

18 A. Yes.

19 Q. And what role did you play in RLS as a
20 consultant?

21 A. I'm still there today as a consultant. And
22 Robert's what I call my only successful beginning to
23 end, or today, mentoring relationship. I hired him away
24 from Bank of America when he was 19 years old, which was
25 where I banked. And Robert has grown to be, you know,

1 the signature -- the signer, you know, the top person at
2 RLS Capital, even though he's only one-third of the
3 ownership.

4 And Robert is a person that learned everything
5 that I knew and took his own brain and excelled it to a
6 higher level, even though I still am known by more
7 people on the street.

8 Q. Okay. So I can take you -- let me go through
9 this document pretty quickly.

10 A. And I would not have seen this document.

11 Q. So let's go to what is page one, although it
12 doesn't have a number at the bottom. But it is also --
13 it says Memorandum Summary at the top.

14 A. Yes.

15 Q. And let me read under The Company. It reads:
16 RLS Capital Inc., an Arizona corporation ("The
17 Company) is a new Arizona corporation which has only
18 been in operation since April 2007. Despite being newly
19 formed, the Company's key officers have spent,
20 collectively spent approximately 23 years in
21 residential, commercial and equity-backed lending
22 transactions."

23 Did I read that correctly?

24 A. Yes.

25 Q. And you know all three of the founders of the

1 company. Right?

2 A. Yes.

3 Q. And they're also officers of the company?

4 A. Yes.

5 Q. And does RLS also raise money by borrowing
6 money from investors?

7 A. They do general obligation notes.

8 Q. And if you look at page two, there is a
9 heading, Securities. And that first sentence reads:

10 The Company is offering up to \$50 million in
11 principal amount of notes.

12 Did I read that correctly?

13 A. Yes.

14 Q. All right. So let's look at page four under
15 the heading Business. It reads:

16 The Company was formed in Phoenix, Arizona, on
17 April 6, 2007, and is engaged primarily in the business
18 of: (i) funding residential homebuilders, foreclosure
19 wholesales, "fix and flippers," commercial builders, and
20 other real estate professionals in need of short-term
21 funding; and (ii) purchasing properties that have
22 desirable purchasers who want to borrow money from the
23 Company.

24 Did I read that correctly?

25 A. Yes.

1 Q. And that's a fair description even today of
2 RLS's business?

3 A. Yes.

4 Q. All right. Let's go to page nine, Diversity
5 of Risk. It talks about the attempt to maintain a
6 diverse portfolio of trust deeds and loans by seeking a
7 large borrower base. And you recall that DenSco had the
8 same language in its offering memorandum.

9 What's the significance in your view of having
10 a diverse borrower base for a hard money lender?

11 A. Well, coming from being a stock broker that
12 knows that you think when stock's going to be great but
13 having things go south, and having a person that's been
14 lending since 1987 in this town, I have had a number of
15 people unexpectedly die from heart attacks to car
16 accidents to suicide. And when it comes down to -- I've
17 always had this feeling that I never want to have more
18 than ten percent of any of my own money or portfolio
19 into something that doesn't have diversification to it.

20 And since a lot of the borrowers that we lent
21 money to were small operators, if that primary operator
22 were to die or take on difficulty, or divorces, or every
23 disaster that your profession, you know, is in tune
24 with, it's easier to be diversified and be more
25 protected.

1 Q. So the goal, both at DenSco and at RLS, would
2 be to not focus too many of the company's loans in one
3 borrower because if something were to happen, that
4 borrower could really hurt the company?

5 A. Yes.

6 Q. And do you believe that Denny Chittick
7 understood and believed that, as well? In other words,
8 as it related to managing DenSco, he understood the
9 importance of having a diverse borrower base?

10 A. At 2012, which is at the end of my
11 recollection of being with Denny, and before that, I've
12 preached it my whole life. And as a consultant, I
13 believe it's very important.

14 Q. I see that, if you look at the bottom of page
15 nine and rolling into page ten, it talks about trying to
16 maintain a loan-to-value ratio of 50 to 75 percent.

17 Do you see that?

18 A. You used the word try, or do? What is it?

19 Q. Well, it says "intends to --

20 A. Okay.

21 Q. -- maintain."

22 A. I'm not finding it yet, but --

23 Q. The top of page ten.

24 A. Okay. The 70 percent was far more common than
25 the 50 percent. But to have that goal is nice.

1 Q. All right. But that would be a true
2 statement? That's what the company was intending to do?

3 A. Yes.

4 Q. All right. And let's look at page 11, Limited
5 Operating History. Do you see that heading on page 11?

6 A. Yes.

7 Q. It reads:

8 Although the Company has virtually no
9 operating history, Robert Koehler, the Company's
10 president, has documented in excess of \$800 million
11 worth of real estate loans transactions, and Lonnie
12 Lindell, the Company's vice president, has been involved
13 with real estate investments and equity-backed lending
14 for over 15 years.

15 As of 2007, do you believe that was a true
16 statement?

17 A. I do.

18 Q. And that would have been -- at least for
19 Mr. Koehler, it would have involved work while at Real
20 Estate Equity. Right?

21 A. And for me, personally. And Lonnie Lindell
22 and I go back to grade school together. Stood up for
23 each other at weddings. And I started doing lending
24 activity with Lon for, you know, a good 15 years prior
25 to him retiring from his high-tech business and software

1 business to entering into a relationship with Robert at
2 RLS.

3 Q. Okay. Let's go to page 29, Scott, the heading
4 Prior Performance. Do you see that?

5 A. Yes.

6 Q. It goes through the -- it identifies
7 Mr. Koehler, Mr. Lindell and a Rod Cohodas each having
8 capitalized the company.

9 Did you know Mr. Cohodas, as well?

10 A. I do.

11 Q. Let me ask you to look at two paragraphs down,
12 one up from the bottom that begins, "All real estate
13 loans." Do you see that paragraph?

14 A. Yes.

15 Q. It says:

16 All real estate loans funded by the Company
17 have been and will be secured through first position
18 trust deeds.

19 Did I read that correctly?

20 A. Yes.

21 Q. And then it reads:

22 The Company intends to maintain a
23 loan-to-value ratio of the Company's overall portfolio
24 of an average of less than 75 percent.

25 That was, and continues to be, the goal of the

1 company?

2 A. Yes.

3 Q. All right. Then it goes through, on page 30,
4 the management background. Let me look real quickly
5 with you on page 31, the heading Real Estate Consultant.
6 It identifies you as being a consultant to the company.

7 Do you see that?

8 A. Yes.

9 Q. And that second paragraph on page 31 under
10 Real Estate Consultant reads:

11 Scott Gould has been working in the financial
12 services industry for 15 years. His business degree has
13 a concentration in finance, marketing and investments.
14 Scott helped to develop and has followed the investing
15 principles outlined in this Memorandum for personal
16 investment, as well as on behalf of other investors, for
17 the last 19 years.

18 Did I read that correctly?

19 A. Yes.

20 Q. And was that a true statement as of 2007?

21 A. I would like to think so.

22 Q. And it reads on:

23 Scott has a good reputation in the Arizona
24 real estate and investment markets for valuations, the
25 real estate market pulse, and surrounding himself with

1 professional lenders, contractors, brokers, agents,
2 appraisers and foreclosure specialists.

3 Did I read that correctly?

4 A. Yes.

5 Q. And you believe that to be a true statement?

6 A. I do.

7 Q. All right. So I want to talk to you about the
8 discussion that then ensues on page 32. And it relates
9 to the issues with the National Association of Security
10 Dealers, the state Corporation Commission.

11 But let's take a break. Why don't you look at
12 it real quickly, and then I'm just going to ask you some
13 general questions about it if I could.

14 A. Okay.

15 *(Recess taken from 10:38 to 10:44 a.m.)*

16 BY MR. DeWULF:

17 Q. Looking at Exhibit 966, we're at page 32. And
18 as I read this document, it appears to be describing --

19 A. My challenges?

20 Q. -- a dispute, or disputes you've had with the
21 National Association of Securities Dealers and the
22 Arizona Securities Division. And I don't want to go
23 through this in detail, but could you just summarize for
24 us what has happened in connection with you and these
25 securities entities?

1 A. Well, first of all, I made two mistakes in my
2 life that I thought were very trivial that they decided
3 they were going to make a monument and take my head off
4 for the rest of my life.

5 So I was a financial planner with IDS, and I
6 was doing real estate lending with my own capital at the
7 time. And I was known for doing that all the way up to
8 Harvey Golub, the CEO of American Express. And they
9 asked me to stop making real estate loans, because I had
10 my name on a card that had their company name on it and
11 they thought that it might expose them to liability if
12 something bad happened.

13 And I said: That's not fair because I'm one
14 of your top eight people out of 7,000 people in the
15 country, and some people play golf, some people have
16 horses, some people do a lot of other things with their
17 time. And I said: For me to invest my own money the
18 way I would like to I don't think is something that you
19 should control.

20 And I was making \$400,000 a year at that time
21 just investing my own money in real estate deeds of
22 trust, and I was only making \$300,000 a year, or
23 something less than that, you know. And I said it's not
24 fair. And so two weeks later they served me with a
25 firing by saying that they're firing me because I used

1 my home address for Lonnie Lindell, which is one of the
2 three owners of RLS that I go back to grade school with;
3 saying that I falsified a document legally (sic) by
4 using my home address as a place of doing one
5 transaction for \$2,000 that I made a \$20 commission on
6 when Lonnie was visiting me from California and staying
7 at my house.

8 And he said: I should do my IRA. And I
9 helped him with it and I filled out the form and used my
10 address as a place of doing business. And I was not
11 licensed in California. I wasn't soliciting business in
12 California. I was a very young person. Lonnie was just
13 getting started. He's younger than I am.

14 So they used that as a reason for firing me.
15 And they turned it in to the NASD to say: We have a
16 criminal working in our company.

17 And I got contacted by the NASD, and I said:
18 Well, what's the fine? Or what's the solution? And
19 they said: Well, you can go to New York and fight it,
20 or someplace like that, and get an attorney, or the fine
21 is a thousand dollars. Well, for me, time was money,
22 and I wrote a check for the thousand dollars.

23 And, later, I was continuing working as a
24 financial planner with many clients after I left the
25 company. And I applied for my RIA license, which is --

1 I can't even think what it stands for. It's like an
2 investment advisor. Registered Investment Advisor, RIA.
3 Twenty some years ago. And I put on the application
4 what I was doing, and they subpoenaed me by saying that:
5 You did not disclose on your application that you had a
6 fine.

7 Well, I'd just got back from Europe. I was
8 filling out the forms really fast, and I didn't even
9 honestly think that that fine was being like something
10 that says: Oh, you're a real criminal; you should
11 never, ever, ever be able to be, you know, in the
12 business again.

13 And I had written promissory notes, which I
14 disclosed in my application, to my parents and my sister
15 and some really close friends, Lonnie Lindell, you know,
16 people like that, that, you know, it was a promissory
17 notes which I was investing the money in real estate.

18 And they made a huge case out of it. They
19 investigated me for years. And the only thing they
20 could find that was negative was a person in North
21 Dakota that had a small investment with me that said,
22 Did you always get paid on time? Well -- or, Did you
23 always get paid? Yes, I always got paid. Did you
24 always get paid on time? Well, a lot of times I don't
25 get my check until like the 4th of the month.

1 And I said, Yeah, you're right, because I mail
2 it from Phoenix on the 1st and you live in BFE, North
3 Dakota, and it sometimes takes three or four days to get
4 there.

5 That's the worst they found. And then they --
6 I just admitted to everything that I did, which is just
7 telling the truth, which has been my relationship with
8 everybody in my entire life, just tell the truth. And
9 I'd made a mistake. I did not disclose that \$1,000
10 fine. And I did not know that writing a promissory note
11 was an illegal security.

12 And they gave me a cease-and-desist order.
13 And I've certainly been investigated by them so many
14 times that they're just trying to say: We would love to
15 find Scott Gould not crossing a T or dotting an I
16 perfectly because we know he's rich and we would love to
17 fine him.

18 And, so, that's been my life.

19 Q. So the reference in this document,
20 Exhibit 966, talks about events that occurred -- I guess
21 it looks like 1994, 1995, 2000. The things you've just
22 described, did those all occur in that timeframe?

23 A. Yes.

24 Q. Is there anything since that timeframe?

25 A. I've been investigated again. Nothing found.

1 Q. No findings, no anything?

2 A. I think I'm investigated every day. They just
3 don't have to tell you.

4 Q. Right.

5 A. They will tell you if you did something wrong,
6 but they don't tell you if you've done something right.

7 Q. But no formal findings or any sort of --

8 A. No.

9 Q. -- penalties or anything since roughly 2000 or
10 whatever. Right?

11 A. Correct.

12 Q. Okay. So this -- the experiences you've had
13 as it relates to regulatory bodies and securities, and
14 doing things in compliance with securities laws, you
15 conveyed the importance and significance of that to
16 Mr. Chittick and Mr. Koehler?

17 A. Everybody I've dealt with.

18 Q. And have you also discussed with them the
19 importance of disclosure to investors so the investors
20 know what it is that they're investing in? Important
21 information about investments?

22 A. And I think everybody at RLS to DenSco
23 really -- their internal side says that they want to
24 disclose everything they possibly can.

25 Q. Any doubt in your mind that during the time

1 that you worked with Denny Chittick and DenSco that they
2 understood the importance of complying with securities
3 laws and disclosing important information to investors?

4 A. I agree that they did.

5 Q. And they understood -- Denny Chittick
6 understood the importance of that. Right?

7 A. Yes.

8 Q. Let me talk about -- and I think we're done
9 with this Exhibit 966.

10 You indicated that you and Robert Koehler
11 mentored Denny Chittick in connection with lending
12 practices and procedures. Right?

13 A. Well, Robert did all of my paperwork and he
14 kept the files in order. And he came from the banking
15 side of life and his computer skill set was a thousand
16 percent better than mine, which is why I hired him.

17 And Denny, coming from what I call the
18 computer generation, was very excited to be able to take
19 what he learned from Robert to make an efficient
20 operation on his own behalf.

21 Q. So let me kind of go through some of the
22 earmarks that we've talked about of being a prudent
23 lender.

24 Do you believe that with your experience with
25 Denny Chittick that he understood the importance of

1 having favorable loan-to-value ratios on the loans that
2 he made?

3 A. I do.

4 Q. Do you believe that he understood the need to
5 perform due diligence on the properties that would
6 secure the loans that DenSco would make?

7 A. Yes.

8 Q. And what does that consist of, Scott?

9 A. So you can go from the very highest level,
10 where you have lots of time and there's money to justify
11 an appraisal, to doing a drive-by to the property and
12 going to MLS and using comps on that system, to using
13 the most common sense of looking at the property and
14 then comparing it to other properties of a similar, you
15 know, square footage; neighborhood; you know,
16 construction quality.

17 And so time was always the question because
18 being a fast money lender, sometimes you only had ten
19 minutes. Sometimes you had 24 hours. Sometimes you had
20 a week. But no matter what you had, you wanted to use
21 your best resources, if it's an employee to go look at a
22 property, if it's a telephone call to a real estate
23 agent that you have a relationship with in that
24 neighborhood, whatever you can gain the most knowledge.

25 And in the foreclosure arena, since we were

1 the biggest people in town lending, RLS Capital and Real
2 Estate Equity Lending, it was often where we had five
3 people trying to buy the same property. Well, that was
4 a comfort level for me to know that five people are
5 calling, saying: We're looking at buying this property,
6 do you have money to lend \$250,000, we're looking at
7 buying it for 325?

8 And when you have five people giving the same
9 story -- it just needs new appliances, it needs the
10 landscape cleaned up and needs a paint job -- when the
11 stories were consistent, that's the way that we used a
12 lot, also.

13 Q. So the circumstances might change, but you
14 would have shared with Denny Chittick and he would have
15 understood that he should perform as much due diligence
16 as he could to determine the value of the property
17 against which he is loaning money. Right?

18 A. Absolutely. And I think that was my value,
19 because I've lent in just about every square block in
20 town. When you gave me your address, I said: Oh,
21 you're just a couple doors down from a place that I had
22 a loan on; yes, I know where you live.

23 Q. But were you able to determine at some point
24 in time that Denny did do the due diligence and did know
25 property values and neighborhoods?

1 A. Denny was a computer guy and he liked to do
2 everything he possibly could on the computer and what he
3 heard from somebody on the phone. In the, you know,
4 first, six, seven, eight, nine years, he used me as a
5 reference: What do you think? And, you know, "What do
6 you think?" went away in 2011, '12, where I wasn't
7 included at all, you know, after that.

8 Q. The idea of having a diverse borrowing base,
9 we talked about a moment ago. Did you communicate with
10 Denny Chittick, and did he understand to your knowledge,
11 the importance that DenSco have a diverse borrowing
12 base?

13 A. I would hope so. Because I preach it all the
14 time.

15 Q. Well, and his -- I won't go through the
16 Private Offering Memorandum that he gave to his
17 investors, but it did talk about the importance of a
18 diverse borrowing base and the intent not to make too
19 many loans with any one particular borrower.

20 But that would be consistent with what you
21 were preaching to him. Right?

22 A. Yes.

23 Q. Is it important that -- well, let me step
24 back.

25 And did you also communicate with him during

1 the time you worked with him and did he understand the
2 importance of having first position trust deeds on the
3 properties against which DenSco was lending money?

4 A. Denny definitely knew that.

5 Q. Let's talk in terms of the context of a
6 trustee's sale as opposed to a loan to a homebuilder.

7 In the context of a trustee's sale, can you go
8 through with us what you would have told him was the
9 proper approach to make sure that DenSco was properly
10 secured against the property that was the subject of the
11 trustee's sale?

12 A. There was two times that we would learn about
13 making the loan. We would have a relationship with a
14 borrower that might call up and say: Do you have money
15 if I buy this? Because they were counting on Denny
16 being his source, or me being a source. And if you
17 don't have money, there's not a good loan.

18 You have other people that just assume there
19 will be a lender, so they go to the foreclosure sale,
20 they purchase a property. Once upon a day, it was a
21 thousand dollars down. It's switched in the last 12, 13
22 years to \$10,000 down, nonrefundable, if you were the
23 successful bidder.

24 And then they would, you know, call up. They
25 might call up Scott Gould, they might call up Robert

1 Koehler, they might call up Denny Chittick, they might
2 call up AFG, they might call up Mike Coffman, they might
3 call up, you know, John Atnip, Brian Mortensen -- all
4 known people, you know, as lenders, you know, on
5 foreclosure sales in this town.

6 And so they -- assuming they bought the
7 property, we usually would ask them to send over their
8 successful bid sheet that just showed that they bought
9 the property for a certain dollar amount. It would also
10 identify who they were going to vest it into. And in
11 the early years, the trustees were very willing to allow
12 that vesting to be changed. But some of the more
13 disciplined trustees, like Michael Bosco in later years,
14 said: We want you to have the vesting be in the exact
15 entity that you're going to take ownership on the
16 property.

17 As a lender, our preference is always to be
18 able to make a loan to the entity which was listed as
19 the buyer of the trustee's vesting sheet. Because then
20 when we went to go pay for it -- which was the next part
21 of the sequence, is they might call, say: We bought a
22 property for a hundred thousand, how much would you
23 lend?

24 We would look and say: We think it's worth
25 115, you got a good buy, so we're willing to lend you 80

1 percent of the purchase price. Still putting us at 70
2 percent loan-to-value or better.

3 There were cases that people paid a hundred
4 cents on the dollar and we said: We'll only loan you 70
5 percent to hold the loan-to-value of the property.

6 So you come up with a decision: Yes, we will
7 lend you \$70,000. You purchased it for \$100,000, you've
8 already put down \$10,000, so we need you to get a
9 cashier's check to the trustee for \$20,000, we will make
10 a cashier's check to the trustee for \$70,000.

11 You come into our office, sign our documents,
12 give us your check, and we would have our runner go pay
13 the, you know, trustee and get a receipt that it's been
14 paid for. And so we knew that we were the only ones
15 paying for the property.

16 And I can't even remember at what point Denny
17 used one of my runners in the company to do it versus
18 after 2012, when he disassociated himself with our
19 office, you know, personnel and staff, you know, to do
20 some of those things. How he did it after that, I don't
21 know, even though the conversation's come up in this
22 case, you know, to suggest how he, you know, did it.
23 But I didn't know at the time.

24 Q. In terms of the mechanics of DenSco loaning
25 money to a successful bidder at a trustee's sale, was it

1 important that you assured that the DenSco loan monies
2 are provided directly to the trustee?

3 A. That was always our policy.

4 Q. And Denny Chittick understood that?

5 A. I know he knew that's how we did it pre-2012.
6 Post that, he became a one-horse operation that
7 diversified in himself amongst his time, you know, in
8 his own way.

9 Q. But in terms of the prudent or careful way of
10 making sure that the money being lent by DenSco was
11 being properly used, you wanted to make sure that either
12 DenSco itself or its runners got the money directly to
13 the trustee. Right?

14 A. That's how I did it.

15 Q. It is clear now that there are times when
16 Denny Chittick was providing the money being lent by
17 DenSco directly to the borrower in connection with a
18 trustee's sale.

19 That would not be a careful approach. Right?

20 A. All I could state is hearsay to me after the
21 fact, that I've learned from other people that were
22 investors and through the investigation that that's how
23 he did it. But that's not something I was privy to
24 until after the fact.

25 Q. No, I'm not trying in any way to indicate that

1 it's your responsibility.

2 What I'm trying to get made clear is to the
3 extent Denny Chittick was providing the funds being lent
4 by DenSco directly to borrowers, that was not a careful
5 approach.

6 A. I, I don't think so.

7 Q. Because there isn't -- I mean I guess I'm
8 stating the obvious, but you want to make sure that the
9 money is being properly used so that you can acquire
10 title to the property that's going to secure the loan.

11 Right?

12 A. Well, let me go through a couple
13 hypotheticals.

14 So if I wrote a check to Michael Bosco,
15 trustee, for a certain dollar amount, and I gave it to
16 somebody else to go pay for a property at Michael
17 Bosco's, he may have had 20 sales in a day. So they may
18 have used that check for a different property than the
19 one intended for our check to go for.

20 So that was part of my reason for why I liked
21 to go pay for a specific property at a specific address,
22 a specific vesting, you know, contract.

23 Q. And if Denny Chittick were to lend money
24 directly to a borrower, as opposed to making sure that
25 the monies were safeguarded with the trustee, to acquire

1 the property securing the loan, you're relying on the
2 good faith and honesty of the borrower to do the right
3 thing. Right?

4 A. You are on that side. But you also have your
5 paperwork, being your deed of trust. And so the deed of
6 trust has to get recorded in the right sequence. So the
7 vesting company, being the trustee, has to record the
8 new deed in that new vesting company's name, and then
9 you have to record your deed of trust appropriately one
10 second after that. And so there's still that room of
11 potential falsification that happens. And that's why
12 you mentioned the condition of title, you know, which
13 was a clouding thing.

14 So there is risk involved in everything going
15 right. But just knowing that the deed was paid for --
16 or the vesting was paid for appropriately, I always took
17 the control to make sure that it was paid for that
18 specific property.

19 Q. Because if you were to give the funds being
20 lent on the loan directly to the borrower as opposed to
21 making sure the funds were properly used with the
22 trustee, a dishonest borrower could take advantage of
23 the lender. Right?

24 A. Yes.

25 Q. And you know now, and we know now, that that

1 in fact happened with Mr. Menaged taking advantage of
2 DenSco. Correct?

3 A. Yes.

4 Q. Now, any doubt in your mind that Denny
5 Chittick, when he lent money directly to Mr. Menaged as
6 opposed to making sure that the funds were properly
7 secured through the trustee and the deed of trust was
8 recorded, that he knew there was a risk associated with
9 that --

10 MR. STURR: Object to the form.

11 BY MR. DeWULF:

12 Q. -- if Menaged didn't do the right thing?

13 MR. STURR: Object to the form.

14 Foundation.

15 THE WITNESS: I, I'm not sure --

16 MR. STURR: You can go ahead and answer
17 the question.

18 BY MR. DeWULF:

19 Q. He's making a record of something. You don't
20 have to worry about it and you can go ahead and answer
21 it.

22 A. Now you have to read -- ask it again.

23 MR. DeWULF: Would you read it back,
24 Annette.

25 (The last question was read.)

1 THE WITNESS: I have no doubt.

2 BY MR. DeWULF:

3 Q. In the hard money lending business, do you --
4 let me back up.

5 I've seen correspondence, emails and things,
6 where you and Denny Chittick and others are sharing
7 information about bad borrowers.

8 Do you recall doing that?

9 A. Yes.

10 Q. What's the significance of avoiding bad
11 borrowers in the hard money lending business when you're
12 really talking about values of property and
13 loan-to-value ratios and recorded trust deeds?

14 A. I think all of the private lenders doing hard
15 money are somewhat of a fraternity of saying that we
16 want to be successful. We want to be able to, you know,
17 have interest rates that allow profit to be made as a
18 lender.

19 And we all know that there's criminals, you
20 know, out there that are representing properties at a
21 different value, or promises that they're going to make
22 the property fantastic that one week after they buy it
23 and then they don't. And there's people that have
24 actually borrowed money and then not made their
25 payments, or they may have even borrowed money on a

1 property and let the property go down in value instead
2 of appreciating in value.

3 So those are all forms of communication that
4 we like to share amongst each other to say that they're
5 either a bad builder -- you know, their rehabbing skills
6 are way less than what you might think from their
7 verbiage that they share on the phone. And I think that
8 was mostly what was being shared between, you know,
9 parties.

10 Q. So what you're saying is that it's important
11 that you have reliable borrowers because as a lender it
12 makes your life a lot easier if they just perform under
13 the note and their obligations. Right?

14 A. Yes.

15 Q. If they don't perform, then you've got to go
16 through whatever default procedures are provided for and
17 maybe ultimately go through a trustee's sale which
18 delays things, costs money, and creates problems for the
19 lender. Right?

20 A. Yes.

21 Q. All right. So let me ask about that. Did
22 you -- that is the documentations documenting the loans
23 for DenSco when you worked as a consultant for DenSco.

24 Did you have any involvement in making sure
25 that the loan documents provided DenSco the property

1 rights relative to the loan?

2 A. I was truly consulting to them. Robert was
3 more the paperwork person. They were the computer
4 people. They were the notaries. They're the ones that
5 knew how to scan things and, you know, keep things
6 stored in the computers.

7 So, you know, my relationship was mostly the
8 knowledge of the town; the knowledge of lots and lots of
9 the borrowers; the knowledge of, you know, school
10 districts, communities, you know, borders, distances to
11 freeways, distances to community colleges, airports.

12 And so the paperwork discipline, I certainly
13 know it. And like a computer programmer, I could tell a
14 computer programmer what I wanted to have in it, but I'm
15 not going to write the computer program.

16 Q. I understand. One of the things I probably
17 didn't make as clear as I should have earlier was this
18 problem of funding the loans to a borrower in connection
19 with a trustee's sale also presents risk of delay so
20 that another lender or another party could get in a
21 superior lien position to the deed of trust securing
22 DenSco's loan. Right?

23 A. Yes.

24 Q. And we know now that because of the delay
25 associated with giving money directly to Menaged, in

1 some instances he was then securing loans from other
2 parties that were in competition sometimes superior to
3 DenSco's loans. Right?

4 A. I would call it double-dipping. I would say
5 it's intentional fraud. I would call it stealing. I
6 would call it being a crook. And there's nothing worse
7 as a lender to have those things happen to you.

8 Q. But if Mr. Chittick had been more careful in
9 connection with Mr. Menaged or other borrowers in making
10 sure that the funds were directly provided to the
11 trustee, receipts were obtained and deeds of trust were
12 recorded properly, he could have avoided those issues
13 with Mr. Menaged. Right?

14 A. 99 percent.

15 Q. All right. Let me show what you has been
16 previously marked as Exhibit 29 in this case. I'm just
17 going to ask you really quickly, Scott.

18 This is a mortgage document that was used by
19 DenSco. You'll see that there's a date stamp in the
20 upper right-hand corner of 2013. But it's a document
21 that DenSco would sometimes use in connection with
22 trustee's sales to kind of tell the world that they had
23 a loan on the property that was the subject of the
24 trustee's sale.

25 Are you familiar with the document?

1 A. I'm not.

2 Q. Okay.

3 A. I'm aware that they tried using something of
4 this language, but I'm not that familiar with it.

5 Q. Let me ask you. Do lenders, in connection
6 with trustee's sales, typically get title insurance?

7 A. No.

8 Q. Do they get any sort of assurance or any sort
9 of report from the title company in connection with a
10 trustee's sale?

11 A. We would usually order a condition of title
12 that cost us \$250 from the title company that would give
13 their opinion to the title status on that particular
14 second.

15 Q. You mentioned earlier that -- and did DenSco
16 do that? Or did you advise them to do that?

17 A. I can't remember.

18 Q. Okay. Would it have been your practice
19 generally to get condition of title from title companies
20 for a trustee's sale?

21 A. I know we did from 2012 forward. I, I can't
22 really recall the, you know, 2005 to 2010 timeframe.

23 Q. Did you ever get title guarantees from title
24 companies in connection with trustee's sales?

25 A. That's offered as part of the sale. The TSG.

1 Title Sale Guarantee is what they refer to it as.

2 Q. And is that usually purchased?

3 A. It's part of what the -- for title -- or the
4 trustee is paying a title company to, you know, offer a
5 good sale. Because they don't want to offer a sale for
6 a property and not be a good sale.

7 Q. So that's part of the service they provide,
8 assuming that the lender properly goes through the
9 procedures that allow the trustee to do what he needs to
10 do.

11 A. Right. So the title sale guarantee is
12 guaranteeing the trustee that they have a good sale.
13 They're not guaranteeing the buyer of the foreclosure
14 sale title insurance, you know, for it.

15 So if Michael Bosco -- being the biggest
16 name -- if they give a sale and you paid for it, and
17 they were representing it that this is a good sale and
18 it wasn't a good sale, you're going to go after Bosco
19 and you're not going to go after the title company.

20 Q. And you've referenced Bosco. He is a lawyer
21 in town with the law firm Tiffany and Bosco?

22 A. He was that name, but he went out and started
23 his own company which just had the Bosco name on it, not
24 the Tiffany.

25 Q. That handles trustee's sales?

1 A. Yes.

2 Q. You mentioned a moment ago that you would use
3 a runner to make sure that the monies got to the trustee
4 in connection with the trustee's sale. Do you recall
5 that testimony?

6 A. Yes.

7 Q. You would pay the runner to do that?

8 A. He was part of a 20-hour-a-week pay package.
9 But, yes, he got paid for it.

10 Q. I had heard from one of the investors that
11 Denny in some cases didn't use a runner to deliver
12 monies to the trustee because he didn't want to pay for
13 it. Did you ever hear that?

14 A. I never heard that. You, you like to have
15 somebody that's there every day. And not knowing what
16 size Denny was -- you know, if you only had one runner a
17 week, you don't want him sitting there for 20 hours.
18 You'd rather have somebody else.

19 And that was part of the advantage of our
20 size. We did enough volume that we could afford to have
21 somebody that we paid 20 hours a week to be sitting
22 there waiting, and patient enough not to bother us while
23 they were waiting, for hours, to know if they had to go
24 pay for something.

25 Q. I'm going to show you Exhibit 67, which was

1 marked earlier in this case. And this is a, if you look
2 on page two, it's a deed of trust and assignment of
3 rents.

4 Would you be familiar with this form that was
5 used by DenSco --

6 A. Yes.

7 Q. -- in 2010?

8 And among other things, the deed of trust, if
9 you look at paragraph five on the second page of that
10 document, it indicates:

11 Borrower shall promptly discharge any lien in
12 which -- in which has priority over this deed of trust
13 unless borrower -- and then it goes on.

14 Do you recall that the deeds of trust that you
15 utilized at DenSco required the borrower to make sure
16 there weren't any other liens superior to the loan being
17 made by DenSco?

18 A. There was a lot in that statement. I'm trying
19 to break it down. Would DenSco -- ask it again.

20 Q. Yes. The deed of trust, paragraph five, talks
21 about the borrower making sure that any other liens are
22 discharged and not have priority over DenSco's deed of
23 trust. And then it goes on and talks about qualifiers
24 for that.

25 A. Yes.

1 Q. Do you recall that the deed of trust DenSco
2 used required that the borrower make sure there weren't
3 any other liens prior -- or superior to the DenSco deed
4 of trust?

5 A. That would be the normal, typical language
6 that everybody would want in their deed of trust.

7 Q. And that language is fairly common to deeds of
8 trust used by hard money lenders in your experience?

9 A. Yes.

10 Q. All right.

11 You, earlier in your testimony, talked about
12 your kind of work experience with Mr. Chittick. I want
13 to now talk about your personal relationship with him.

14 Would you have considered him a friend?

15 A. Yes.

16 Q. When do you think you first became friends
17 with him?

18 A. When he first was introduced to me, he was a
19 very non-trusting person. And he was almost like, you
20 know, tell me more, tell me more. And then he started
21 dating his future wife, Ranasha, which was a Suns
22 dancer. And part of her pay package as a dancer was
23 getting two free tickets to the Suns games. And so she
24 had to go early. I enjoyed going early both for free
25 parking and enjoyed the Suns activity.

1 And so we ended up probably getting almost 30
2 minutes per game of just social, you know, halftime,
3 before the game, you know, becoming friends. Denny was
4 a traveler. Denny was investor mentality. Denny
5 enjoyed being healthy. And I think that that's where
6 the friendship came. And Denny loved business, I love
7 business, so we had that in common.

8 Q. When do you think you first would have gotten
9 to know him at Suns games?

10 A. I think late '90s.

11 Q. And were you a season ticketholder for Suns
12 games?

13 A. Officially not, but I was given season tickets
14 as a bonus for consulting. Don't look at my tax return
15 for the benefit.

16 Q. So did you know Ranasha, then?

17 A. I did.

18 Q. Did Denny Chittick ever talk to you about the
19 divorce [REDACTED]?

20 A. Never.

21 Q. [REDACTED]
22 [REDACTED]

23 A. [REDACTED]

24 [REDACTED] [REDACTED]
25 [REDACTED]

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Q. You may recall this, but the divorce I believe occurred in 2012. Would that be consistent with your memory?

6

7

A. Yeah. And I, I was definitely gone before that.

8

9

Q. All right. So you indicated that your impression of Denny Chittick was that he was a non-trusting person. Could you elaborate on that a little bit?

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A. Well, first of all, he was in his early 20s, which when it comes to, you know, different investment vehicles, if it's, you know, leveraged stock options or if it's, you know, deeds of trust or real estate lending, I would say that I've come across a lot of people in life that it was a new investment vehicle for them, so going through the procedures to understand it. And Denny, at 23, 24, was not an experienced real estate person, so I remember him being: Tell me more, tell me more, tell me more.

22

23

24

25

Q. So I think you indicated a moment ago then that you would have first started to get to know him as a friend in the late 1990s. And would you have considered yourself a friend of his to the time that you

1 were less involved in DenSco in 2012?

2 A. I would still consider him a friend up to the
3 learning of his passing. Sometimes when you're a
4 competitor of each other you have a way of not wanting
5 to share your inside relationships and who you're
6 hanging with because you're not wanting your client to
7 get passed on to the next, you know, competition.

8 And I think he was embarrassed to say that I
9 gave him lot of energy in the early 2000s to try to
10 build what I call a future, ongoing income source and
11 not to be training a competitor.

12 And so from 2012 forward, there was no pay
13 coming to me in an investment that I thought was going
14 to be a long-term good one that, you know, did not turn
15 out to be good for me, both sides, one no income and one
16 is training a competitor, which is really like losing
17 some money. And, and Denny obviously had to have
18 relationship challenges.

19 So since I consider myself a friend of
20 Ranasha, too, it's like -- you know, where do you go?
21 And to this day, I don't know the problem.

22 Q. I'm not sure I understand what you just said.
23 You don't know the problem?

24 A. I don't know the problem of their relationship
25 breakup.

1 Q. Oh, I get it. All right.

2 So let me ask. Was it your observation that
3 he had a lot of friends, Denny Chittick?

4 A. More business friends. I would say his close,
5 close personal friends would have been more -- his
6 father and mother were really, really close to him. He
7 had one sister that he referred to that I didn't get to
8 know but I met her at the wedding for seconds that he
9 referred to as being close. And he loved his kids. And
10 he, you know, loved his investment world.

11 Q. Was the sister Shawna?

12 A. I think that's the name.

13 Q. All right. And did you get to know the father
14 and mother at all?

15 A. Before 2012, when he had his annual, quote,
16 investor, you know, little gig at his house, you know,
17 I, I had a chance to meet them there. They came to some
18 Suns games over the years and they also came up to my
19 house a couple times for, you know, barbecues that I
20 had. So they were very respectful people.

21 Q. You said that you went to Denny Chittick's
22 wedding with Ranasha?

23 A. No. I went with a different date. But he was
24 there with her.

25 Q. Thanks for the clarification.

1 So you had a date and you were invited to and
2 attended Denny Chittick's wedding?

3 A. Yes.

4 Q. Was that a small wedding? A big wedding? Do
5 you recall?

6 A. It was a justice of the peace, which was
7 different for me at that point in time and common today.
8 And there was probably a hundred people. And it was at
9 the resort, something in the Buttes. Westcourt in the
10 Buttes.

11 Q. So do you think that over that timeframe that
12 you were his friend -- and, again, just for framing
13 this, Denny Chittick committed suicide July 28, 2016.
14 So -- and I understand you've clarified that you saw him
15 less and communicated less after you terminated your
16 business relationship with him.

17 But do you think you got to know his
18 characteristics, his character traits, his personality
19 over the time that you spent time with him?

20 A. I think on many aspects.

21 Q. So I'm going to go through with you some of
22 the things you may have experienced or observed about
23 him because I think it will be important as we -- as we
24 find ourselves in this case, there are lots of -- there
25 are events that we're all trying to explain how things

1 might have happened and unique experiences.

2 Obviously, we talked about the suicide.

3 There's this Menaged relationship. There are things
4 that occurred that a lot of people have a hard time
5 understanding. And so I think what I'd like to do is
6 talk to you about Denny Chittick, and maybe we can get
7 an insight on him as a person. It might help explain
8 his behaviors or his conduct. So let me just ask you.

9 There have been other investors -- there have
10 been investors who have testified that he was frugal and
11 very careful with money. Was that what you observed, as
12 well?

13 A. Definitely frugal.

14 Q. Any experiences you recall with that?

15 A. Denny was aware of every dollar. He was a
16 master of buying airline tickets for the absolute
17 cheapest prices. There was no way that Denny was about
18 to buy anything at the concession stand at the Suns
19 game, you know, at a 10,000 percent markup for a soda or
20 a popcorn or anything like that.

21 So in everyday life, Denny did not waste money
22 on many of the things that Americans are known for
23 wasting money on. He bought himself a good car. He
24 looked at his house as an investment, and he -- the only
25 place that he really spent money was traveling, which he

1 did a lot of at a young age.

2 Q. There are some who have observed that he had a
3 value of money and considered it a measure of success.

4 Did you see that, experience that?

5 A. I'd agree 100 percent.

6 Q. Did you see that evidenced in any behavior?

7 A. I think, financially, Denny was a spreadsheet
8 person a goal-driven person, a financially-proud person.
9 Anybody who likes to buy stocks or investments is trying
10 to say: What's the return on the investment?

11 And just from his email address of being
12 DCMoney, you know, at yahoo.com, and naming his son, you
13 know, after this business -- you know, [REDACTED] to
14 try to suggest dealing cash, you know, he definitely
15 valued -- I mean not many people name their kid [REDACTED],
16 you know, over something reference to money.

17 Q. So he named his son [REDACTED], but you think
18 that that stood for [REDACTED]?

19 A. As a future nickname.

20 Q. Did he express that to you or was that ever
21 shared with you?

22 A. It came out fairly early as a joke and he
23 didn't disagree with it. So I would think that it may
24 have.

25 Q. Okay. There are some who have observed that

1 he valued money over personal relationships. Was that
2 your experience? Did you see that at all?

3 A. I think he desired both. I think for me,
4 personally -- which gets compared to Denny a lot -- we
5 love to be trusted and we love to be trusted with money
6 and we like to make good financial decisions with money.

7 And he was a person of integrity, so he never
8 wanted to steal from somebody. If I offered to buy him
9 something at the Suns game, he would most likely decline
10 because he didn't want to feel like he was obligated,
11 you know, to saying: Well, you bought this beer this
12 time, I should buy you a beer back next time. So it's
13 just easier for him of not doing it.

14 But I know that when he had some financial
15 success he bought his parents a fifth-wheel as a, you
16 know: Gee, Mom and Dad, I'm glad that life is good that
17 I can do something nice for you; you were great parents.

18 So I would just say the answer to that is he's
19 conflicting but definitely frugal, and, and most of his
20 relationships were money-based or financial
21 investment-based.

22 Q. Do you think it was money that caused him to
23 separate from you? That is, he wanted more of the money
24 at the company?

25 A. Oh, I, I made some of my own bed. I was

1 always proud to say that I only spent a fraction of what
2 I earned. I think that making decisions for yourself
3 versus needing to go to committee allows a more
4 efficient process. I think that he felt like he learned
5 everything that he needed to from me to run the business
6 on his own, you know, when he was saying goodbye.

7 I made my own bed in consulting for lot of
8 different people. So, you know, there's always that
9 conflict, which he disclosed in his memorandum and
10 everybody else does, that says Scott Gould wears so many
11 hats he can't guarantee that at 12 minutes after 12:00
12 on a certain day that I am going to be able to give 100
13 percent of my time to anybody.

14 So, you know, the decision he made, it was
15 painful but not one that I thought would change my life,
16 so I was okay to move on.

17 Q. Was he easy or hard to get to know?

18 A. In the early going he was much more the
19 interrogator. You know, saying: What can I learn from
20 you? But I would say it was harder to get to know
21 inside him than being a person that just really opened
22 up about everything. You know, we were both critical of
23 financially undisciplined people.

24 Q. Was he competitive?

25 A. Extremely.

1 Q. How did you witness that?

2 A. Oh, I think from athletics. You know, when
3 you play to win, you definitely put that as a
4 competitive person. He was a very good high school
5 athlete. When he was at Insight, when they became a big
6 company and he was getting sent to Apple and different
7 places like that to play in golf tournaments, they
8 didn't send him because he was a rotten golfer. You
9 know, he was a person that would go out there and say,
10 I'm going to try to hit a good shot and get as close to
11 a hole-in-one as I can.

12 And he definitely knew his wife as a
13 competitive athlete, and I think he dreamt of his kids
14 being competitive. He was a coach, which usually you
15 coach kids to win. And financially he was very
16 competitive to say, "How I can make the most amount of
17 money," given the 24 hours in his day.

18 Q. So was he good with computers and spreadsheets
19 and computer programs?

20 A. Well, asking a guy who's really bad at those
21 things, I would have to say yes. But yes. Denny was on
22 the leading edge of the cellphone, he was on the leading
23 edge of sending wires from his laptop. He was proud to
24 be running his business off of his laptop. And I could
25 say I was only jealous.

1 Q. But he was proud of that and it was important
2 to him?

3 A. Yes.

4 Q. In terms of communicating with his investors,
5 was he good at keeping his investors apprised at what
6 was going on at DenSco and being available to them if
7 they had questions?

8 A. Well, since he was a competitor and I learned
9 that I lost some relationships to him, I always had to
10 say: Why did Denny win somebody over versus my camp,
11 I'll call it.

12 And they bragged about, you know, his monthly
13 statements. They bragged about his, you know, emails
14 coming out. And so I look and say that what he put in
15 the information to the investors, besides their
16 financial statement and being very good to say: This
17 was your initial investment, this is how much you made
18 from day one, this is how much you made last month. You
19 know, he was far better than me.

20 I'd just as soon that people remember that
21 they invested a million dollars and now they're worth
22 two million, that they actually had that in their head.

23 Q. Was he available and accessible to his
24 investors if they had questions?

25 A. I think so.

1 Q. I want to talk to you, Scott, about his
2 decision-making process; how he arrived at decisions;
3 once he made decisions did he stick with them, that
4 area.

5 Were you able to observe or did you experience
6 with Denny Chittick how he went about making decisions
7 about things?

8 A. His goal was to be efficient. His goal was to
9 use his, his computer skills to what he considered his
10 advantage. And, you know, I learned that, you know, he
11 allowed people to send him a photocopy of a check as a
12 form of communication. And that's after the fact.

13 And so many of his styles was developing:
14 This is what I think, I, Denny Chittick, think this is
15 the right way to do it and this is who I trust and this
16 is the system that I'm going with and I'm, you know,
17 preferring to not have licenses versus being licensed.

18 And so he, he created his own direction on
19 Denny Chittick's terms that he thought was right.

20 Q. Was he good at taking advice?

21 A. Oh, I think that when he didn't really know
22 something at all or needed to learn a lot. So in the
23 early going he took a lot more advice because -- I
24 recall when I was starting to show him houses, he was
25 pretty much like: Why doesn't everybody build that

1 exact house? That's the best house, you know, why does
2 this tract builder want to have four houses when there's
3 that one that I think is the best?

4 And I said: Well, Denny, everybody's
5 different; some people have three kids, some people have
6 one kid; some people have no kids; some people look at a
7 two-story house and it's like, Wow; other people look at
8 a two-story house and it's like who would want to climb
9 those stairs?

10 So I needed to help him see why there's so
11 many different people in this world versus only Denny
12 Chittick would like a three-bedroom, two-bathroom with a
13 sink on the left side and a toilet on the right side.

14 And so in the early going I found him almost
15 shockingly narrow-minded to his own thoughts. He grew
16 as a person. He grew when he became a parent. And then
17 shortly after becoming a parent is when my relationship
18 with him really, you know, changed. And just from
19 Facebook, I knew he was a proud parent.

20 Q. So this -- I'm just trying to capture what you
21 just said.

22 So once he decided something was the best for
23 him -- like the house floor plan or whatever -- did he
24 tend to stay with that idea?

25 A. He did.

1 Q. Did he tend to research things before he made
2 the decisions that he made? Or not?

3 A. I think in his own mind that he gathered just
4 enough information for him to say, This is what I think
5 is right, versus saying that you ask ten people what do
6 you think about. If you're interviewing somebody to go
7 to work for you do you ask for zero references, one
8 reference, ten references?

9 And, for me, knowledge is power, and I think
10 that Denny's mistake was staying too within himself
11 versus reaching out far enough have to, you know, make
12 his business as good as it should have been.

13 Q. Did you find and experience with him -- that
14 is Denny Chittick -- that once he made a decision about
15 something it was hard to change his mind about it?

16 A. Yes.

17 Q. Can you give us an example?

18 A. Well, I think that when it comes to investors,
19 he paid the highest interest rate of anybody in our
20 industry. Which it's always easy to attract an investor
21 base when you're paying the highest rate. He also chose
22 to continue lending at a higher interest rate than other
23 people when the market had changed and became more
24 competitive with a lot of competitors from, you know,
25 BlackRock, the biggest hedge fund in the United States,

1 you know, competing against us.

2 And, you know, to be investing or lending at a
3 higher interest rate means that you may be taking on a
4 higher-risk client. Because why would a client want to
5 pay somebody a higher interest rate than somebody else?
6 Even though Denny and I both joked when there was a
7 super good-looking, 22-year-old blonde that went to the
8 foreclosure steps, you know, Robin Yount's niece, that
9 we had a disadvantage because we could not look as good
10 as she was.

11 But everything else, we felt like we should be
12 competing in the marketplace.

13 Q. So when you said he was too within himself --
14 you said that a moment ago -- what do you mean by that?

15 A. Denny was a Denny Chittick thinker. You know,
16 he made opinions from religion on his, you know, limited
17 research to real estate decisions to making -- to say
18 within, just because when he left me, he didn't really,
19 really give me what I thought was maybe three or four
20 years of thinking why he thought he would be okay
21 without me versus just saying: Scott, I think you'll be
22 fine without me, you know, I'm going to run. And it
23 wasn't like: Are you okay with that? It was just like
24 telling me.

25 So to me, that process of just, you know,

1 sharing something that had years of thoughts in a
2 ten-second statement is holding a lot within, not
3 sharing it.

4 Q. Did he share with you the process of his
5 decision to build the house he ultimately built or buy
6 the car he ultimately bought or anything like that in
7 terms of his personal decisions?

8 A. Oh, he was very proud. I mean, he's not the
9 only Tesla owner that thinks why would you want anything
10 but a Tesla. He drove Lexuses before that. You know,
11 Lexus depreciates the least, it's the most luxury,
12 they're the smartest car.

13 And so I only knew him as a Lexus owner and I
14 only knew him as a -- oh, what's the electric one I just
15 mentioned?

16 Q. Tesla?

17 A. Tesla, you know, owner. And he was that type
18 of person. You know, he stuck with it because he
19 believed that that was the best way to go.

20 Q. So let me use that as a backdrop for this
21 relationship with Menaged.

22 The testimony that we've heard includes
23 testimony that problems occurred with Mr. Menaged as
24 early as the fall of 2012 with Menaged taking loans out
25 that were in competition with DenSco and putting DenSco

1 in a position of competing in secured positions. But
2 the testimony also is that Mr. Chittick trusted
3 Mr. Menaged and stayed with him and continued to do
4 business with him 2012, and then actually increased the
5 loans exponentially to Mr. Menaged, and in 2013 had
6 further problems and still stuck with him to the point
7 of, you know, getting more and more problems, getting in
8 deeper and deeper, and ultimately committing suicide.

9 Is there anything about the Menaged
10 relationship with Chittick that you can share any
11 insight into as to how Chittick would have allowed
12 himself to get into that position?

13 MR. STURR: Object to the form and
14 foundation.

15 THE WITNESS: There's a lot of, lot of
16 thoughts.

17 So first of all, I lent money to Menaged in
18 2011 and 2012, also. And I thought he was a very
19 aggressive personality. He was a young person that
20 really -- if there was a problem with a house, I didn't
21 think he knew how to hold a hammer or what side of a
22 screwdriver to use. So he scared me in his
23 aggressiveness. And I had no idea until after Denny's
24 death that Denny had this deep relationship with
25 Menaged.

1 But I can tell you in my experience, in
2 coaching all the people that I do, that says if people
3 lie to you once, run as fast as you can to get away from
4 them versus doubling down and giving them a chance to
5 lie to you again. And so what Denny did is completely
6 against me.

7 And, you know, I had some write-offs in 2008
8 that the IRS said: Why didn't you spend more money
9 trying to get blood out of a turnip? I said: I'm not
10 into making attorneys rich. I said: I think I lost it
11 from them, I wrote it off, and I'm going to make up my
12 business with good business in another place.

13 BY MR. DeWULF:

14 Q. So as it relates to Chittick, why -- when he
15 would have learned of problems with loaning money to
16 Menaged would he have stayed with him? Any idea?

17 A. My, my only gut says that he was doubling
18 down. He was embarrassed. He didn't have those other
19 hundred investors to go to that I had that were good
20 investors that would pay him that premium interest rate
21 to allow him to pay his investors the higher interest
22 rate than what the competition was.

23 So -- and Denny chose to take a risky path of
24 paying people more than what they should have, investing
25 at a higher interest rate than what the competition

1 would and to borrowers that made it easy for him, versus
2 Denny having the staff, the time, the willingness to
3 commit to obtaining relationships with a hundred
4 different people.

5 And on the other side, Denny gave his kids a
6 lot of time. He gave volunteering to the school a lot
7 of time. All admirable things until you say: But he
8 cost us money.

9 Q. So let me go back to something you said a
10 moment ago. You used the word investors, but I think
11 you maybe intended to use the word borrowers, that he
12 did not have as many borrowers to do business with at
13 DenSco and so he may have focused too much on someone
14 like Menaged.

15 Is that what you were intending to say?

16 A. He did.

17 Q. All right. Now, in your experience about the
18 way he makes decisions, if he had decided to do business
19 with Menaged through thick or thin, good or bad, in say
20 2012 or 2013, would it have been difficult to convince
21 him to stop doing business with Menaged?

22 MR. STURR: Object to the form.

23 THE WITNESS: Yeah, that's what I don't
24 know. I, I would have, I would have swung a two-by-four
25 across his head and said: What are you doing?

1 And not knowing his business procedure of
2 sending money to him and trusting him and trusting him
3 and trusting him, and having lots of opportunities to
4 say, "You cheated me once, you cheated me twice, when do
5 you stop," I can't get in Denny's head. I can only say
6 that he must have been horrified. And I did see some of
7 his suicide letters to say he was horrified.

8 BY MR. DeWULF:

9 Q. Do you think he was, once he made decisions,
10 he was stubborn about sticking with them? Did you see
11 that at all?

12 A. I, I think so.

13 Q. This idea of pride, would you describe Denny
14 Chittick as a prideful man?

15 A. Extremely.

16 Q. Do you think that once he committed his time
17 and energies to Menaged in terms of working out some of
18 these problems in 2012 and 2013 that he was too proud to
19 abandon Menaged or stop doing business with him or
20 anything like that?

21 MR. STURR: Form and foundation.

22 THE WITNESS: I think everything comes
23 down to choice. And so when you're given Denny's lack
24 of diversity, lack of borrower relationships, wanting to
25 believe that: Menaged, you got me in this trouble, I'm

1 going to you to say, Help me get out of this trouble,
2 versus looking at Menaged and saying, You're a crook --

3 And my mind can't get off of thinking that
4 Menaged deserves life in prison versus thinking he
5 should get out. Because I look and say that he's a
6 crook, and I don't want to give him a chance to screw
7 anybody on the street one more time. Because I think
8 that he's an addicted personality looking to see how he
9 can take advantage of a situation or others and not
10 care.

11 BY MR. DeWULF:

12 Q. Was loyalty important to Denny Chittick?

13 A. Yeah. And he -- yes.

14 Q. How did you see that?

15 A. Well, I think that knowing how many investors
16 that he had at the time he died versus how many he had
17 when I was involved, you know, multiplied four, five,
18 600 percent from what I can tell, and to manage that
19 much money alone is just a crazy number, you know, to
20 manage with all the moving parts in the hard money
21 lending. And I know that -- I mean he was proud to be
22 taking these people's money and he was proud to be
23 trusted and he was proud to say that, you know, he beat
24 me in attracting these people's money versus having
25 their money with me.

1 Q. You indicated earlier in your testimony,
2 Scott, that when he initially met you, he wasn't very
3 trusting. Once he got to know you and opened up, did he
4 become a trusting person?

5 A. I think he became very trusting of my
6 knowledge and street smarts in the industry. He wasn't
7 impressed with my computer skills. He wasn't impressed
8 that I did a lot of things that were more longhand
9 versus computer-efficient, you know, spreadsheet-type
10 things. But Denny did get hurt from some of the
11 construction people in 2008 that I had introduced him
12 to. So he had every right to say: Oh, that person
13 wasn't as good as what you represented thinking they
14 might be.

15 Well, any time we lose money, we second-guess
16 ourselves versus having it turn out perfect. And none
17 of us really thought that the crash was going to be as
18 great as it was. So, you know, since I was the old man
19 and he was the young guy, you know, it's always easier
20 to say: Why didn't you see that, you know, coming?

21 Q. One of -- an individual, Gregg Reichman had
22 indicated that Denny Chittick had communicated to him in
23 2013 that he was going to become Menaged's partner as it
24 related to working out some of the problems they had on
25 the double liening.

1 Do you think that Menaged represented to Denny
2 Chittick an opportunity to him to make money? Do you
3 think he viewed Menaged as a ticket to making money?

4 MR. STURR: Form. Foundation.

5 THE WITNESS: I think that Denny looked
6 at Menaged as an answer, and I think that Menaged looked
7 at Denny as a way to steal.

8 BY MR. DeWULF:

9 Q. When you say he looked at Menaged as an
10 answer, an answer for what?

11 A. To try to recover the negative that he had
12 created, you know, on a financial statement.

13 Q. We know that Denny Chittick committed suicide
14 in July of 2016. Based on your knowledge of him and
15 what you've been able to gather as to all of those
16 events in the interim period, vis-a-vis Menaged and
17 others, do you have any opinion as to why you believe he
18 committed suicide?

19 A. Well, I read his letters saying that: I don't
20 think that the courts would believe that I wasn't, you
21 know, either a fraud myself, or that I was in bed with
22 Menaged in a way that said there's something for him.

23 But I also talked to people almost monthly
24 that say: Yeah, I saw Denny just the day before he
25 committed suicide and he seemed completely normal and

1 just the exact same person that Denny had been his
2 entire life. And to think that the next day he stopped
3 his life was just still haunting all of us.

4 Q. He never told -- according to the folks that
5 we've deposed, he never told anyone about the Menaged
6 problems. Any of the investors, anyway --

7 A. Yeah.

8 Q. -- any family, friends, about Menaged
9 problems. Sitting here today, what's your take on that?
10 Do you have any idea why that was?

11 MR. STURR: Object to the form.

12 THE WITNESS: Yeah, I think that pride,
13 the competitiveness, feeling like he'd just lost. You
14 know, he went into a tennis match and lost 0-6, 0-6,
15 0-6. I think he just felt like Menaged beat him. Beat
16 him at a game that he never thought that he was playing,
17 that same game of dealing with a crook, a criminal, a
18 con man that could just live with himself and to steal
19 all of that money.

20 And to this day, I'm not sure where that money
21 really is.

22 BY MR. DeWULF:

23 Q. I'm going to ask you this and if you can't
24 answer it, that's fine.

25 Do you think if someone had told Denny

1 Chittick to stop doing business with Menaged in early
2 2014 he would have stopped?

3 A. I wished I would have had the opportunity.
4 But I, I -- Denny was a one-man show with one brain and
5 one, you know, conviction. And, you know, his
6 willingness to reach out to anybody else -- as you said,
7 he kept it quiet, the Menaged situation.

8 And I only made the comment when you invited
9 me to come here, and that, I said that I only witnessed
10 that he had lost a lot of weight. And I know he was
11 disappointed that Ranasha put on weight. Well, that's
12 quite common for black ladies or athletes after they
13 have kids. But Denny went as skinny as you can get.
14 And now I can say his stomach was getting eaten alive,
15 you know, from this, you know, situation.

16 Q. So you saw him in 2016?

17 A. He dropped off something in the office for
18 Robert one day and I saw him for 30 seconds. But I'm a
19 physical person that looks at someone and says, Wow, as
20 I'm, you know, sad that I'm getting a little potbelly at
21 61 years old. You know, I'm like, you know: Good job,
22 Denny.

23 Q. Let me cover just a couple of other things.

24 Was he someone who liked certainty with things
25 as opposed to uncertainty? Or did you ever pick up

1 anything on that about his personality?

2 A. I don't know if I interpret it right, but
3 certainty is thinking that you're 100 percent going to
4 have result. And I would say that, you know, he was
5 expecting good results in everything that he did.

6 Q. Do you know whether he trusted lawyers or not?

7 A. I, I was at the first meeting with Beauchamp
8 for a little bit. And he trusted his accountant. And,
9 you know, I think that I scared everybody to say that
10 you need to disclose, disclose, disclose, because that's
11 what the ultimate NASD and SEC was saying. You know,
12 even though you did everything that you said you were
13 going to do, Scott, you didn't disclose it on paper
14 right.

15 So obviously just this internal, "Can't live
16 with myself," you know, is what I think Denny described
17 himself best as.

18 MR. DeWULF: Would you read that last
19 part back.

20 (The record was read.)

21 BY MR. DeWULF:

22 Q. Let me just follow up on that.

23 So was that an ongoing thing, that he had a
24 hard time living with himself? Or was that just --

25 A. I think when he lived with himself as a

1 winner, he loved himself. To live with himself as a
2 loser, you know, at this money game, lending game,
3 investment game, being trusted game, that was -- that's
4 when he quit.

5 Q. He didn't seem to be willing to share this
6 information with anyone, share feelings, share concerns,
7 worries. Did you observe that with him? That he was a
8 guy who was kind of a silo unto himself and wasn't
9 someone who opened up and shared things with others.

10 A. Well, he put on the front like life was just
11 going on, you know, great, right up to to the last day
12 that he lived. You know, from the hearsay of people
13 that called me, you know, afterwards. But he, he
14 obviously held everything inside and, you know, didn't
15 share it.

16 And I include that from him saying that, I
17 don't need Scott as a partner anymore in business,
18 which -- just sad.

19 Q. Once he made the decision not to do business
20 with you, did you find it was difficult to try to get
21 back to doing business with him? Or did you ever even
22 try?

23 A. I never tried.

24 Q. All right. So let's take a short break. I
25 want to run through some documents with you. But I

1 think after we get through the documents, we can get
2 wrapped up.

3 *(Recess taken from 12:01 to 12:06 p.m.)*

4 *(Exhibit 967 was marked.)*

5 BY MR. DeWULF:

6 Q. So this is kind of a jumble of documents,
7 Scott. I apologize. This is the way we discovered it
8 in the DenSco files. So that's why we're -- but if you
9 can thumb through this, it may refresh your memory as to
10 some of the historical investing you did with the
11 company. And I'm not even sure whose handwritten notes
12 these are. They may have been Mr. Chittick's; I don't
13 know.

14 A. They are.

15 Q. But there are a number of subscription
16 agreements. And I'm not saying they're all of them, but
17 there are a number in the 2006 and later timeframe that
18 would indicate that you would have been an investor.

19 Does that refresh your memory?

20 A. I see I had money in the IRA for a short
21 period of time, until I found out that you're not
22 supposed to have your IRA in anything that you're
23 associated with.

24 Q. And the IRA, is that this First Trust Company
25 of Onaga?

1 A. Yes.

2 Q. All right. So did you invest at one time
3 through the IRA?

4 A. Yes.

5 Q. And is that the only -- if you thumb through
6 here, do you know if that's the only entity through
7 which you did investing? I --

8 A. Two hours ago, I didn't even remember
9 investing anything. But IRAs have always been kind of
10 sitting on the side trying to say, Where can you put it.

11 Q. Right.

12 A. And so --

13 Q. So if you look through the subscription
14 agreements, it appears that those are signatures where,
15 at least in most instances, the entity is involved, as
16 well. But it's not always the case, so I don't know if
17 it changed at some point and you did individual
18 investing as opposed to through the IRA.

19 A. Well, if it was, it would have been just to
20 give them money to cover their commitments.

21 So in the construction lending, you always
22 have to have money to take draws. And it wasn't an
23 advantage for me to give Denny money and get paid half
24 versus just investing my own money which I had plenty
25 of.

1 Q. All right.

2 MR. DeWULF: Why don't you mark this,
3 Annette.

4 (Exhibit 968 was marked.)

5 BY MR. DeWULF:

6 Q. I don't know if 968 refreshes your memory. It
7 looks like an email from Denny Chittick to you in May of
8 2010 identifying dollar amounts.

9 Does that seem consistent with your memory, or
10 do you have any memory at all?

11 A. No memory on this.

12 Q. All right.

13 (Exhibit 969 was marked.)

14 BY MR. DeWULF:

15 Q. So DenSco would issue these monthly
16 statements, of which 969 is one. This one is dated
17 December 2010. It talks about the current investment
18 balance; it talks about interest that's been earned.

19 Does this refresh your memory at all of your
20 investments with DenSco?

21 A. I believe it.

22 Q. And it references the IRA. So, again, this
23 would be investments that you made through your IRA?

24 A. Yeah, just putting it in DenSco.

25 Q. Okay.

1 A. But I didn't remember it.

2 Q. I think you -- well, let me just do this. It
3 might refresh your memory, too.

4 (Exhibit 970 was marked.)

5 BY MR. DeWULF:

6 Q. So I'm showing you 970. Let me just focus you
7 on the first page of that.

8 Denny Chittick is saying to this woman, who is
9 a representative of the First Trust Company --

10 A. That's when he paid me back?

11 Q. Yeah, your IRA. It says, "I no longer hold
12 Scott Gould's IRA."

13 Do you think after you quit investing through
14 your IRA that you did not invest in any other form,
15 either individually or otherwise?

16 A. No. I don't think I did.

17 Q. So just to make clear your answer, so you
18 think that the only investments you made in DenSco were
19 through your IRA?

20 A. The only real investment. I may have covered
21 them for, you know, a couple days, or here or there, you
22 know, with non-qualified monies just to make sure they
23 could cover an investment commitment.

24 (Exhibit 971 was marked.)

25

1 BY MR. DeWULF:

2 Q. Showing you Exhibit 971, this is a
3 communication in October of 2011. It's a back-and-forth
4 between a Linda Banovac -- do you know who she is?
5 Lawyers Title?

6 A. I don't remember.

7 Q. It references the fact that someone had
8 indicated Rod at RLS --

9 Do you know who that is?

10 A. Yes.

11 Q. Who is that?

12 A. He's one of the three owners.

13 Q. Okay.

14 -- said the "SC" part of DenSco is Rod's
15 partner.

16 Which would be you; right? So were you the
17 "Sco" of DenSco originally when it was formed?

18 A. Well, it's either Denny's company or DenSco.
19 And he referred to it however he wanted to --

20 Q. Got it.

21 A. -- in his -- but I've never been into names
22 that are fancy. I just know he controlled it.

23 Q. Okay. So he's saying at the very top of that
24 first page in response to the question, that second
25 paragraph that reads:

1 RLS is made up of a few guys, one of them is
2 Scott Gould, who originally ten years ago yes, was the
3 SCO in DenSco. However, didn't work out but I liked the
4 name so I kept it.

5 Do you see that?

6 A. Yeah. As I said, he could use the Denny's
7 company or DenSco however he want to use it. And to say
8 that my name is very much tied together when people want
9 it to be tied together, and they can separate me, you
10 know, when they don't want to have me together.

11 So RLS, there's no doubt I get paid 25 percent
12 of profit of RLS, so it's pretty hard to say I'm not,
13 you know, interested in the success of the company.

14 Q. I understand. So let me go back to something
15 that I didn't pin down but I should have.

16 As it relates to the loan documents and
17 borrowers for DenSco, would it have been your advice to
18 DenSco and Denny Chittick that they enforce the loan
19 documents in terms of, in the event of a default that
20 they charge default interest or do those things which
21 they have the right to do under the documents to
22 motivate the borrower or --

23 A. We, we used late charges and default as two
24 different forms of incentivizing people to make a
25 payment. The default interest rate was usually 29

1 percent, which we called more of an enforcer to take it
2 serious.

3 But for the most part, we learned that if
4 you're ever going to put somebody in foreclosure or
5 default, you were either sending a quick message for a
6 quick turnaround or you're saying: I really don't care;
7 I'm never going to lend that guy money again because
8 nobody in the normal world, can make 29 percent work as
9 an investment cost of funds.

10 So we used it, you know, as needed. It wasn't
11 a desired profit center. It was a desired motivation, a
12 collection center.

13 Q. So you sometimes used default interest and
14 late charges to incentivize a borrower?

15 A. Yeah. If somebody thinks that they can pay
16 late and not have a late charge, you're just immediately
17 saying, Why pay on time?

18 Q. So I'm not going to go through all these
19 emails, but it looks like from 2009 forward, you and
20 other lenders -- hard money lenders are sharing
21 information about folks who are bad borrowers.

22 Do you recall that, that you guys would do an
23 email blast and share information?

24 A. I know Robert would have received lots of
25 them. I hardly used email at that point in time in my

1 life as a, you know, regular form. I didn't have a
2 phone that, you know, had it; I didn't have a computer
3 that -- you know, I looked at a lot. Everything came
4 through Robert most of the time.

5 So I'm aware that it was happening but it
6 wasn't my daily focus.

7 (Exhibit 972 was marked.)

8 BY MR. DeWULF:

9 Q. Showing you Exhibit 972.

10 Just as an example, it looks as though, again,
11 Denny is sharing with a group of people. It includes
12 yourself, Robert Koehler. Mike@clearaz, who is that?

13 A. Mike Coffman.

14 Q. Okay. And Kevin@postedproperties, who is
15 that?

16 A. I don't know Kevin.

17 Q. Then there's Rob Oakum. Do you know who he
18 is?

19 A. Or Rob Brinkley, which used to be in the same
20 office with Menaged.

21 Q. Then there's Swerlyk. Do you know who that
22 is?

23 A. No.

24 Q. And Gregg Reichman, you know who he is; right?

25 A. Yes.

1 Q. And then Yomtov Scott Menaged. And it's
2 referencing a Jeffrey Gross. Did you know who Jeffrey
3 Gross is?

4 A. No.

5 Q. What Denny Chittick is basically saying as of
6 November 18, 2010: Add him to your list of folks you
7 should avoid.

8 A. But --

9 Q. So there was this short group of -- a group of
10 hard money lenders that was sharing information on an
11 ongoing basis that you recall?

12 A. Hardly. But I know that Robert's the one who
13 shared it with me.

14 Q. And do you remember Menaged being a part of
15 that group of people that was the recipient of
16 information?

17 A. No.

18 Q. Do you remember at any point in time Scott
19 Menaged being a part of a group of either lenders or
20 borrowers that were sharing information together with
21 Denny Chittick and others?

22 A. In the very early going it was represented
23 that Menaged's parents were rich and he was investing
24 and lending their money. So that's why I think that
25 probably happened.

1 Q. All right. So I'm not going to go through
2 these other folks.

3 In one of his emails he references -- Denny
4 Chittick references himself as a "tech head" by trade.
5 Did he pride himself in that, being a tech head?

6 A. He didn't rub it in my face, because I wasn't,
7 but yes, I think he did.

8 Q. There's some emails where it's to both and you
9 Robert Koehler. Were you ever co-investors or do any
10 things together with regard to DenSco? Do you remember?

11 A. There is a possibility that there could have
12 been one or two loans, that were what I called the
13 \$3 million loans, that was over his \$2.5 million and
14 over my individual desire to have more than -- you know,
15 back then it would have been more than ten percent of my
16 net worth. So I never tried to do any loan that was
17 more than ten percent.

18 Q. So you might have done a loan jointly with
19 Mr. Koehler?

20 A. And Denny.

21 Q. Okay.

22 A. Possibly.

23 Q. Do you know a Vince Muscat M-u-s-c-a-t? Does
24 that ring a bell?

25 A. No.

1 Q. So let me ask you. You indicated earlier in
2 your testimony, Scott, about how the industry had gone
3 through a cycle as a result of the economy. And you
4 indicated like in the late '80s there were problems with
5 bank failures, et cetera; and then in 2008 there was the
6 Great Recession, et cetera.

7 DenSco survived that recession; right? As a
8 business?

9 A. I think that in 2008 DenSco was relatively
10 small compared to where they went in two thousand, you
11 know, '13, '14, '15. And so some of the losses that
12 happened in 2008, it was either Denny himself or Denny
13 and a combination of myself that bought out some of the
14 loans, you know, which allowed him to, you know, fire up
15 again in a more positive way as things started turning
16 around.

17 And only hindsight, from knowing how much
18 money he owed people in general obligation notes could I
19 say that he went huge. And I had no idea because he had
20 so few borrowers that normally, you know, with my
21 hundreds of borrowers I would say, "Oh, Denny's offering
22 me only ten percent and you want 25 percent down," you
23 know, that I would hear about them more often.

24 So he definitely kept himself in a very small
25 side, or he would say: I'd prefer you not telling Scott

1 that you're borrowing from me because I may have had the
2 relationship with him prior.

3 Q. So were you advising him, at least during the
4 time you worked with Denny Chittick, that he ought to
5 diversify in his investor base, as well?

6 A. Yes.

7 Q. Did he agree with you?

8 A. He always listened. Didn't mean that he had
9 to go home and do what I said.

10 And I think it's important to know that I used
11 to have a ten-minute meeting with Denny on Monday and
12 Thursday. He would come up to my office, and it was
13 very, very fast. It was a quick recap, just what's
14 happening, what advice, what can I share. And Denny was
15 always just a small, small part of my income, so he
16 deserved a small part of my time.

17 Q. So you would give him advice. He would
18 listen. Did he consistently follow your advice, or was
19 there any way of predicting whether he would follow the
20 advice or not?

21 A. It's hard to predict. I think that in the
22 first six years he followed my advice a lot. But I
23 think that as he became independent, saying, "I can do
24 this without Scott," he made it very obvious that he
25 thought his way was the way to go.

1 Q. Again, going back to his personality. When he
2 chose his way, was it difficult to convince him to
3 change his way?

4 A. I would say so.

5 Q. Taking that and applying it to this Menaged
6 relationship, if he had chosen his way as being working
7 with Menaged and working out issues with Menaged, would
8 it have been difficult to persuade him to stop working
9 with Menaged --

10 MR. STURR: Form and foundation.

11 BY MR. DeWULF:

12 Q. -- because that was the way he chose?

13 MR. STURR: Form and foundation.

14 THE WITNESS: He never made Menaged's
15 situation available to people that were influencing him,
16 to the best of my knowledge. I, I didn't see any
17 finances, you know, probably from 2009, you know, moving
18 forward. You know, that's when the real end was.

19 BY MR. DeWULF:

20 Q. So your answer is that people didn't have
21 access to information within DenSco to be able to advise
22 him not to do business with Menaged. Right?

23 MR. STURR: Object to the form.

24 THE WITNESS: I think so.

25

1 BY MR. DeWULF:

2 Q. But based on your experience and knowledge of
3 him, once he chose his way, assuming you had the ability
4 to advise him about Menaged and he had chosen to do
5 business with Menaged, do you think you could have
6 convinced him to stop doing business with Menaged?

7 MR. STURR: Form and foundation.

8 THE WITNESS: I can only say Denny's a
9 very strong, independent person.

10 BY MR. DeWULF:

11 Q. All right.

12 So there is a point in time in 2010 where it
13 appears that there's an issue arising as to lenders and
14 whether they have to be licensed and that kind of thing.

15 Do you remember that issue coming up? A
16 matter of state law?

17 A. Yes.

18 Q. What do you remember about that, briefly?

19 A. Well, first of all, I was not the license
20 person in our office. And when it comes to disclosures,
21 Denny's side of life and my side of life is any time you
22 can keep the government out of your business, you're
23 better off.

24 And so I think that, you know, Denny chose to
25 say: Let me charge an interest rate that's higher

1 without charging fees so I don't have to become
2 licensed. And that will work in his favor on some cases
3 and work against him in others.

4 Q. So you had discussions with Denny Chittick --

5 A. No. No. I didn't.

6 Q. You just surmised that that's what he chose to
7 do on licensing?

8 A. Well, Robert, who is in my office, was an
9 investor with Denny, and we often over lunch will talk
10 about what our competition is doing, so we know where we
11 can compete in the marketplace.

12 Q. He references in his one of his emails, that
13 is Denny Chittick, in 2010, that you had hired a
14 consultant to work with you on the licensing issue.

15 Do you remember that?

16 A. Not me. Robert would have.

17 Q. Robert would have? Do you remember who it
18 was?

19 A. No.

20 Q. Do you remember if it was a lawyer or not?

21 A. (Witness shakes head.)

22 Q. You don't know?

23 A. No.

24 Q. Okay. There is a reference to an individual,
25 Teeters. Mr. Teeters. Does that ring a bell to you?

1 A. No.

2 Q. All right. I'm eliminating some of these as
3 exhibits because we've talked about them.

4 (Exhibit 973 was marked.)

5 BY MR. DeWULF:

6 Q. I'd ask you to look at Exhibit 973, Scott.

7 A. So he's sending that to Beauchamp?

8 Q. Well, there is a discussion about whether
9 they're -- the licensing of bidders as well.

10 Do you remember that issue coming up?

11 A. No.

12 Q. All right.

13 Do you recall a Mr. Schimmelman? Does that
14 ring a bell?

15 A. No.

16 Q. Or a Mrs. Schimmelman? Michelle Schimmelman?
17 Does that ring a bell?

18 A. No.

19 Q. Do you remember a Dave Azevedo? Does that
20 ring a bell?

21 A. Yes.

22 Q. How do you know Dave?

23 A. He's your neighbor.

24 Q. Okay. Is he -- was he someone in the lending
25 business?

1 A. No. He's a builder.

2 Q. Okay.

3 A. Arcadia Contracting.

4 Q. And Chittick did business with him?

5 A. I didn't remember that, but --

6 Q. All right. I think that the email talks about
7 properties that are out a ways. I won't go through that
8 with you.

9 I saw -- and I will not dwell on this -- but
10 your mom was diagnosed with cancer sometime in 2010?

11 A. Yes.

12 Q. And you shared that information with Denny?

13 A. (Witness nods head.)

14 Q. So you felt that the relationship was such
15 that you could share that personal information with him.

16 A. Yes.

17 Q. I'm showing you what was previously marked as
18 648. It was in Mr. Koehler's deposition.

19 Let me focus your attention, Scott, if I
20 could, on that last email that's at the top of the first
21 page. It talks about hiding deeds of trust.

22 Do you recall that topic coming up in 2011?

23 A. No, but it's pretty serious.

24 Q. This would be an issue that could present
25 itself if the borrower didn't protect itself on making

1 sure its deed of trust was secured in first position;
2 right?

3 A. Yes.

4 Q. And so this document in 2011 is just reminding
5 everyone on the listserve -- it includes a bunch of
6 lenders -- that they need to make sure that the money
7 goes to the right place to protect them. Right?

8 A. So am I seeing that Menaged is part of this
9 list down here?

10 Q. Ironically, he is.

11 A. So it makes me think that Menaged's trying to
12 act like he's a good guy, or a part of the good guy
13 group as he's being a crook.

14 Q. Well, I don't know who chose to make him a
15 part of the listserve, but he clearly is in this list
16 with all of these other folks who I think -- I mean I
17 don't know if you recognize these other names, but I
18 know some of them at least are hard money lenders,
19 Mr. Reichman, yourself, Mr. Koehler.

20 A. Steve Turner, Len Hoebing. Len's the quiet
21 boy that's bigger than everybody.

22 Q. What's his last name?

23 A. Hoebing.

24 Q. How do you spell that?

25 A. H-o-e-b-i-n-g. He was Del Pueblo Homes. I

1 lent him money on probably 500 of his first 600 houses
2 and he said, I want to be like you when I grow up. And
3 he's done a very good job.

4 Q. Do you know Dan Diethelm?

5 A. Yeah. That's Len Hoebing's partner.

6 Q. Okay. There is -- and I won't go down this
7 road if you don't have any memory of it.

8 But there was a letter that was written on
9 behalf of Mr. Diethelm and other lenders to DenSco from
10 a law firm, Bryan Cave, in January of 2014 complaining
11 about -- or addressing, anyway, double liens on
12 properties where DenSco had loaned money.

13 A. Uh-huh.

14 Q. Do you know anything about that? That there
15 was an issue between DenSco and other lenders as to
16 double liens on properties against which they lent
17 money?

18 A. I don't recall that.

19 So this came from Noah, this document. And
20 Noah is the only person in that group that's never been
21 willing to talk to me his whole life. So I --

22 Q. Noah Brocious?

23 A. Yeah. He's a great competitor in Arcadia.

24 Q. He's a hard money lender?

25 A. He's capital funds. It's not his money, he's

1 just a broker.

2 Q. Do you recognize other names? For example, do
3 you know who --

4 A. Everybody but Aaron.

5 Q. Who's Aaron?

6 A. Oh, Aaron Zeese, or something like that.

7 Q. You understand that the rest of these folks
8 listed are all in the lending business?

9 A. I'm the one who exposed Len Hoebing, Steve
10 Turner, Brian Mortensen to the industry.

11 Q. Okay. And this is, it appears to be kind of a
12 communique, a means of telling people what's going on in
13 the business. And you recall participating in that
14 sharing of information in 2011 about things like this?

15 A. I hardly looked at an email in 2011.

16 Q. Okay.

17 A. So --

18 Q. But did you have an understanding that
19 Mr. Koehler was on that listserve as well and receiving
20 communications?

21 A. Yes.

22 Q. And he would generally share with you if
23 something was important?

24 A. I can't answer that for him. I'd like to know
25 that answer, though.

1 MR. DeWULF: Let me just this marked.

2 (Exhibit 974 was marked.)

3 BY MR. DeWULF:

4 Q. Showing you 974, the subject of these
5 discussions appears to be Tiffany and Bosco changing the
6 process by which title can be vested. Or that's my take
7 on it.

8 But do you remember this topic coming up? You
9 can look at it and maybe it will refresh your memory.

10 A. No. And as I say, Robert is in charge of
11 keeping all the paperwork in order. So that's not part
12 of my everyday activity.

13 Q. Okay.

14 (Exhibit 975 was marked.)

15 BY MR. DeWULF:

16 Q. Showing you Exhibit 975.

17 Same situation? It would have been something
18 that you may have been shown as a recipient of an email
19 but, generally, it would have been one where Mr. Koehler
20 would have monitored this kind of information and shared
21 it with you if necessary?

22 A. Yes.

23 Q. Did you ever gain an understanding as to the
24 volume of loans that DenSco made to Scott Menaged?

25 A. I'm still in shock. I didn't know that.

1 Q. You didn't know the amount? You knew it was a
2 lot, though?

3 A. No.

4 Q. Even today, do you know?

5 A. Only today I know. I had no idea from 2011
6 how much business he did with him.

7 Q. Many have expressed -- folks who thought they
8 knew Denny Chittick were surprised at what had
9 transpired with Menaged. Were you also surprised?

10 A. 100 percent.

11 Q. Because it was kind of inconsistent with what
12 you understood to be the way he did business?

13 A. Well, there's a transition. The consistency
14 of being competitive amongst all of the peers versus
15 when Denny chose to not become licensed, charge a
16 different interest rate, do different paperwork, that
17 all happened after I was separated from him. And just
18 putting that many eggs in one basket is 100 percent
19 inconsistent with every prudent, you know, lending, you
20 know, operator.

21 Q. And everything you would have advised him.
22 Right?

23 A. Yes.

24 Q. Do you know anything about Gregg Reichman's
25 relationship with Scott Menaged?

1 A. No. The only relationship I would know is his
2 office was closer to his than Denny's. Geographically.

3 (Exhibit 976 was marked.)

4 BY MR. DeWULF:

5 Q. So I'm sharing this with you. It may prompt a
6 memory, it may not.

7 Exhibit 976 is a series of emails in July of
8 2013. If you go to the last page of the document,
9 Scott, this is in connection with a workout between
10 Active Funding Group and Scott Menaged when the
11 double-liening issues arose. And Mr. Reichman was
12 imposing upon Mr. Menaged certain obligations.

13 They, by mistake, included you in one of the
14 emails, and you see there's a reference toward the top
15 of that second page to that. Or about halfway down.

16 Do you see that?

17 A. The "Why is Scott Gould included in this?"

18 Q. Yes. And then Menaged says, "I don't like
19 him."

20 Do you see that in his email back?

21 A. Menaged says he doesn't like me?

22 Q. Yes. If you go up toward the top of that
23 second page, Menaged is writing to Reichman. He says:

24 Damn. We'll he now has our agreement. I
25 don't like him.

1 Do you see that?

2 A. I see it.

3 Q. Had you had bad experiences with Menaged as of
4 July of 2013, or were you -- had you had something that
5 would have caused him not to like you?

6 A. I, I can't even say I've ever met Menaged that
7 I would know what he looks like on the street. And I
8 don't have an answer to that. I only have an answer to
9 why Reichman doesn't like me.

10 Q. If you look at the first page of this
11 document, it's where Mr. Reichman says at the bottom of
12 the first page. He said, "I don't like him, either."

13 Had you had a negative experience with
14 Reichman as of July of 2013?

15 A. The very first time I met Reichman was at a
16 birthday party for a mutual borrowing client. And he
17 was talking to some really cute, young girls that were
18 new in the borrowing side of foreclosures and flips, and
19 he was telling them in front of my face: You never want
20 to lend with Scott Gould because he's like the Mafia,
21 he'll do this and this to you if you don't make a
22 payment to him.

23 And the girls were smiling, saying: Do you
24 know who Scott Gould is? And he goes: Yeah. I said:
25 It's me. You don't even know who I am.

1 Q. So you were there and he was talking about
2 you --

3 A. As close as I am to you right now. And so I
4 said: You're just a piece of shit; you have no idea.

5 Q. Were there any other folks that fit that
6 category of Scott Menaged who -- you said he was one of
7 the main borrowers in that timeframe in terms of big
8 players in the 2012 on timeframe.

9 Were there any others? We know Menaged was on
10 this Property Wars show. Were there others that were --

11 A. So the Property Wars show was represented in
12 combination of real-real buyers of property and
13 wholesalers. So Doug Hopkins was the star of the show,
14 which he was a wholesaler. He wasn't buying for
15 himself.

16 Menaged played both sides of the fence that he
17 was, you know, "I can do anything, I'll do everything,"
18 you know, portrayal, which I'd seen the show after
19 Denny's death on reruns and, you know, talked to Hopkins
20 about it because he certainly had time with him. And
21 Hopkins was our biggest client.

22 But if I were to really put numbers together
23 from 1 to 1000, I would have expected Menaged to be like
24 number 8 to 12 on the volume side of activity.

25 So for Denny, he would have had opportunities

1 to invest his portfolio with lots of other people than
2 just Menaged. Hopkins was five times bigger than
3 Menaged.

4 Q. Do you know if he did any business with
5 Hopkins?

6 A. They were competitors, except for being on the
7 TV show together.

8 Q. Got it. Who were competitors?

9 A. Doug Hopkins.

10 Q. And Menaged?

11 A. Were competitors. And even on the TV show,
12 Hopkins was portrayed as the king. Menaged was this
13 wanna-be.

14 MR. DeWULF: All right. No further
15 questions. I really appreciate your time.

16 MR. STURR: I've got a couple questions
17 for you, Scott. Are you okay? Want to take break?

18 THE WITNESS: I'm good.

19

20 EXAMINATION

21

22 BY MR. STURR:

23 Q. Can you pull out 962, the first exhibit in
24 that stack.

25 Mr. DeWulf was asking you about this. This is

1 the Articles of Incorporation for DenSco. And you said
2 it refreshed your memory. I'd like you to look at --
3 look all the way through the exhibit. And the first two
4 pages indicates that it was signed -- on the second page
5 it was signed by Denny Chittick on April 30th, 2001.

6 Is that right?

7 A. Yes.

8 Q. If you go further in, you'll see Articles of
9 Amendment. Do you see that? One more. Right there.
10 That page. Do you see that page?

11 A. Yes.

12 Q. It's stamped July 16, 2001. Do you see that?

13 A. Yes.

14 Q. And in that amendment, it states that -- if
15 you go to the next page -- it says: The initial board
16 of directors shall consist of one director.

17 Do you see that?

18 A. Yes.

19 Q. Does that refresh your memory that you were
20 only briefly a director of DenSco?

21 A. I think that Denny was hoping that I was
22 capable of being an equal to him. I said: No, that's
23 not where I want to be with you and that's not where I
24 feel like I'm legally allowed to be.

25 Q. Okay. I just want to be clear about this.

1 So it appears from these documents, Scott,
2 that it was only in 2001 you were a director, and only
3 for a brief period of time. Is that right?

4 Yes.

5 Q. Okay. I just wanted to clarify that. I just
6 want to follow up on a few questions, a few answers you
7 gave to Mr. DeWulf.

8 I'm trying to understand, Scott, from the time
9 that Denny told you he didn't want to have you as a
10 consultant, or in the business -- which I think you said
11 was 2011 or so, roughly in that time period?

12 A. Yes.

13 Q. To the time of his death, how often did you
14 see Denny, if at all?

15 A. I would say probably less than ten minutes in
16 those five years.

17 Q. Did you ever speak with him or talk with him
18 that you can recall?

19 A. He came in the office to drop off things to
20 Robert. I think Robert was his backup person to say
21 that he gave a thumb drive or something like that to,
22 which is something I don't know how to use.

23 But when he came in, it's pretty hard to think
24 that you're not going to say, Hi. Our office is an open
25 room like this. Everybody sees anybody, you know,

1 walking in. And there was no desire to be an enemy to
2 Denny. And I'm very well aware of many of his note
3 holders that are losing all of this money that you're
4 trying to help. And I really feel for everybody.

5 Q. But when you encountered him briefly, you
6 didn't talk with him; you just might have said hello?

7 A. Yes.

8 Q. Now I want to ask you about David Beauchamp.
9 You said that you were at the initial meeting
10 with David Beauchamp?

11 A. When he was doing a formation of the company,
12 and disclosures and the types of things that you do with
13 a Reg D, you know, offering, it was Denny's very first
14 Reg D and it was very important that if he was going to
15 have my name written in the Memorandum as a consultant,
16 or whatever they were trying to describe me as, that
17 everything was being disclosed.

18 Q. And so do you have a memory then of attending
19 a meeting with Denny and David Beauchamp?

20 A. Yes.

21 Q. Do you remember where that took place?

22 A. I don't know which law firm, but it would have
23 been in that 2003 range after Curt Johnson stopped, you
24 know, being Denny's primary.

25 Q. What was your understanding, what did Denny

1 tell you about his relationship William David Beauchamp?

2 A. That was brand-new. I think David was a
3 referral from Robert who, you know, had been party to
4 Beauchamp when he was offering counsel or professional
5 services to Real Estate Equity Lending.

6 Q. So David Beauchamp was the attorney for Real
7 Estate Equity Lending?

8 A. I think so.

9 Q. And what do you remember about that meeting or
10 the discussions that you had with Denny and David
11 Beauchamp in 2003?

12 A. Well, I think most of my input was how to
13 disclose minimums; how to disclose the different lending
14 opportunities that were out there; and mostly to make
15 sure that -- as my last investigation with the
16 securities, to say you need to get a counsel whenever
17 you give disclosure to make sure you're giving full
18 disclosure.

19 Q. And just so we're clear, Exhibit 963 -- if you
20 could pull that up. I think it's the second document.

21 Is that what you're talking about, that
22 disclosure?

23 A. Yes.

24 Q. So you had input into the preparation of this
25 Offering Memorandum, this document.

1 A. Well, on my, on my side, yes.

2 Q. Okay. What do you remember after that
3 meeting? Did you have any other encounters or dealings
4 with David Beauchamp?

5 A. I don't think so.

6 Q. That's the one time that you can remember?

7 A. Yes.

8 Q. Do you remember Denny, while you were still
9 affiliated with DenSco, ever talking about David
10 Beauchamp or bringing his name up?

11 A. Not that I can remember.

12 Q. Do you know whether David Beauchamp was giving
13 advice to Robert Koehler or RLS?

14 A. I think the initial memorandum that they did
15 was a David Beauchamp memorandum. And I don't recall
16 being part of that meeting because the three owners of
17 RLS were very well aware, you know, that he had the
18 information and disclosing the findings against me.

19 Q. So just to be -- again, to be clear, are you
20 referring to Exhibit 966 then?

21 A. Yes.

22 Q. Okay. And you learned this from Robert
23 Koehler or the other principals that they were using
24 David Beauchamp's services?

25 A. I'm not 100 percent sure. I just know that in

1 talking to Robert a little bit about, you know, this
2 case that, you know, he said, yes, we had used Beauchamp
3 also, you know, back in the day.

4 MR. STURR: Thank you. Those are the
5 questions I had.

6 MR. DeWULF: Thanks for coming down. We
7 appreciate your time.

8 THE WITNESS: You're welcome.

9 MR. STURR: Scott, you have the right to
10 review the transcript before it's finalized. I don't
11 know if you want to do that.

12 MR. DeWULF: We can coordinate with you
13 if you'd like to read what you said and --

14 THE WITNESS: It's just good for
15 clarity.

16 MR. DeWULF: So what we'll do is,
17 Annette, I'll coordinate with you and we'll make sure
18 that he reads and signs.

19 All right. Thank you.

20 THE WITNESS: Sure.

21 (Deposition concluded at 12:50 p.m.,
22 June 20, 2019.)

23

24

25

SCOTT ALLEN GOULD

CERTIFIED REPORTER'S CERTIFICATE

BE IT KNOWN that the foregoing proceeding was taken before me; that the witness before testifying was duly sworn by me to testify to the whole truth; that the questions propounded to the witness and the answers of the witness thereto were taken down by me in shorthand and thereafter reduced to typewriting under my direction; that the foregoing pages is a true and correct transcript of all proceedings had upon the taking of said proceeding, all done to the best of my skill and ability.

I CERTIFY that I am not related to, nor employed by, any of the parties hereto, nor am I in any way interested in the outcome thereof.

☒ [XX] Review and signature was requested.

☐ [] Review and signature was waived.

☐ [] Review and signature was not requested.

I CERTIFY that I have complied with the ethical obligations in ACJA Sections 7-206(F)(3) and 7-206(J)(1)(g)(1) and (2).

Annette Satterlee, RPR, CRR
AZ CR No. 50179

Date

I CERTIFY that JD Reporting, Inc., has complied with the ethical obligations in ACJA 7-260(J)(1)(g)(1) through (6).

JD Reporting, Inc.
Registered Reporting Firm R1012

Date