

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 corporation, )

Plaintiff, )

vs. )

NO. CV2017-013832

Clark Hill PLC, a Michigan )  
limited liability company; )  
David G. Beauchamp and Jane Doe )  
Beauchamp, Husband and Wife, )

Defendants. )

-----)

DEPOSITION OF PAUL KENT

Phoenix, Arizona  
March 19, 2019  
9:04 a.m.

REPORTED BY:  
KELLY SUE OGLESBY, RPR  
Arizona CR No. 50178  
Registered Reporting Firm R1012

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785	Subscription Agreements (Bates Nos. CH_REC_DEP_0001141-1164, 0119462-0119457, D126771-D126788, CH_EstatesSDT_0070738, D133118-D133190, CH_EstatesSDT_0070740, CH_EstatesSDT_0066006, CH_REC_CHI_0083666-83671 and CH_EstatesSDT-0066020)	20	20
786	Typed notes (Bates No. CH_EstatesSDT-0000723)	34	34
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REQUESTS TO PRODUCE DOCUMENTS

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(None.)

QUESTIONS INSTRUCTED NOT TO ANSWER

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(None.)

RECESSES TAKEN

Recess taken from 10:34 a.m. to 10:41 a.m.

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1 DEPOSITION OF PAUL KENT, commenced at 9:04 a.m.  
2 on March 19, 2019, at the law offices of Coppersmith  
3 Brockelman, PLC, 2800 North Central Avenue, Suite 1900,  
4 Phoenix, Arizona, before KELLY SUE OGLESBY, a Certified  
5 Reporter, CR No. 50178, in and for the County of Maricopa,  
6 State of Arizona, pursuant to the Rules of Civil  
7 Procedure.

8 \* \* \*

9 APPEARANCES

10 FOR PLAINTIFF:

11 OSBORN MALEDON, P.A.  
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15 Phoenix, Arizona 85012-2793  
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17 FOR DEFENDANTS:

18 COPPERSMITH BROCKELMAN, PLC  
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24 FOR WITNESS:

25 BERRY RIDDELL, LLC  
BY: MR. MICHAEL W. ZIMMERMAN  
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1 Phoenix, Arizona  
2 March 19, 2019  
3 9:04 a.m.

4 \* \* \*

5 PAUL KENT,

6 called as a witness herein, having been first duly sworn,  
7 was examined and testified as follows:

8 EXAMINATION

9  
10 Q. (BY MS. TOLMAN) would you please state your  
11 name and date of birth for the record.

12 A. Paul Kent; January 31st, 1966.

13 Q. And do you understand that we represent David  
14 Beauchamp and his law firm Clark Hill in this suit brought  
15 by the receiver, Peter Davis, on behalf of the DenSco  
16 investors?

17 A. Yes.

18 Q. And so, just brief picture, our goal here is to  
19 understand what information you have regarding Denny  
20 Chittick -- I will probably refer to him just as Denny --  
21 DenSco and David Beauchamp.

22 A. Okay.

23 Q. Do you have any understanding of the case  
24 against David Beauchamp or Clark Hill?

25 A. Not really. I think I understand that the

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1 receiver is trying to -- I'm not really sure. I'm not --  
2 I'm not a lawyer.

3 Q. That's a fine answer.

4 Do you have a general sense that the receiver is  
5 asserting claims against third parties in order to recover  
6 funds?

7 A. Yes.

8 Q. And that David Beauchamp and Clark Hill are  
9 one -- are two of those parties?

10 A. Yes.

11 Q. And have you had any discussions with Mr. Sturr,  
12 Colin Campbell or anyone over at Osborn Maledon?

13 A. No.

14 Q. Have you had any discussions with the receiver  
15 about this lawsuit against David Beauchamp and Clark Hill?

16 A. No.

17 Q. Have you ever been deposed before?

18 A. No.

19 Q. Okay. So I'm going to go over a couple of  
20 ground rules, but so far you are doing great.

21 So your answers must be verbal, which you have  
22 done a really great job of. No uh-huhs or uh-uhs or any  
23 of that.

24 It's really helpful if we try to wait for the  
25 other person to finish before responding. I am guilty of

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1 that, so if I cut you off, please let me know.

2 A. Okay.

3 Q. If you don't understand anything that I ask you,  
4 just ask me to rephrase. If you do answer a question, I'm  
5 going to understand that you did understand it, but if you  
6 later think something was wrong, you are welcome to go  
7 back to it.

8 If you need a break, just finish the answer  
9 that's -- or the question that's pending, and then we will  
10 go -- let me know and we will go ahead and take a break.

11 And you are represented in this deposition by  
12 counsel, correct?

13 A. Yes.

14 MR. ZIMMERMAN: Yes.

15 Q. (BY MS. TOLMAN) So either your attorney or  
16 Mr. Sturr may object at the end of one of my questions.  
17 As long as your attorney is not instructing you not to  
18 answer, you can go ahead, once they are finished with  
19 their objection, and answer my question.

20 A. Okay.

21 Q. Okay?

22 A. I'm going to turn off my vibrating phone here.

23 Q. Thank you.

24 All right. Where do you currently live?

25 A. Tempe, Arizona.

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1 Q. Can you give me the full address, please.

2 A. 23 East 15th Street.

3 Q. Thank you.

4 And you understand that you are testifying under  
5 oath?

6 A. Yes.

7 Q. And are you on any medications or drugs that  
8 could affect your ability to testify accurately and  
9 truthfully today?

10 A. No.

11 Q. Did you do anything to prepare for this  
12 deposition?

13 A. Nope. No.

14 Q. "Nope" counts.

15 A. Okay.

16 Q. It's a verbal answer. She can type that.  
17 So you graduated from ASU, 1988 I think you  
18 said?

19 A. Yes.

20 Q. And that was with a degree in geography?

21 A. That's correct.

22 Q. Do you have any other post-high school  
23 education?

24 A. I -- I might have taken one graduate class or I  
25 might have not attended. I might have signed up for it

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1 and never went.

2 Q. Got it.

3 And then can you quickly, I don't need a ton of  
4 details, go through your work experience after graduation?

5 A. Yes. I graduated in December of 1988. After a  
6 short vacation, I needed a job and I started work in March  
7 of 1989 at a company called Insight. well, now it's  
8 called Insight Enterprises. And I worked there for 16  
9 years. And then from 2005 to 2010 I worked as a middle  
10 school teacher. And since 2011, I have been a small  
11 business owner.

12 Q. Can you tell me what you did at Insight?

13 A. Oh, it was a small company when I started there  
14 and it was a very large company when I left. So I started  
15 in customer service answering phones; I did -- I built  
16 computers; I shipped computers; I got into purchasing,  
17 marketing, pricing models, management, sales management,  
18 company management.

19 Q. Okay. And Insight is a computer company?

20 A. It's a reseller of hardware, software and  
21 services, yes.

22 Q. And then you said as of 2011, you have been a  
23 small business owner, and is that the Flagstaff Extreme  
24 Adventure Course?

25 A. Yes.

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1 Q. And what do you do? Do you pretty much do  
2 everything there or --

3 A. Yeah. I mean, I don't -- when I'm there, I am  
4 helping the staff that's employed, but generally I'm doing  
5 the managerial and the accounting and marketing from  
6 Tempe.

7 Q. And does the business own the property that it's  
8 on? Did you purchase the property?

9 A. No. It's a public-private partnership with  
10 Coconino County.

11 Q. Have you had any experience with real estate or  
12 financing, other than this PPP?

13 A. Not really. I own a house.

14 Q. So I'm going to get into some questions about  
15 Denny.

16 A. Uh-huh.

17 Q. I'm going to apologize, because some of this is  
18 personal and it feels a little probing.

19 But when did you -- when did you meet Denny?

20 A. I don't recall specifically, but I'm sure it was  
21 1989.

22 Q. And was that through working at Insight?

23 A. Yes.

24 Q. And how did you become friends?

25 A. Long hours of work in the same close area.

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1 Q. And would you say that you became friends pretty  
2 early on and in the 1989, 1990 area or was it quite a bit  
3 after?

4 A. I would say, you know, I was there sometime --  
5 I'm not overly outgoing, so I would say probably '90  
6 maybe.

7 Q. And for the 16 years that you were at Insight,  
8 did you talk to him daily pretty much?

9 A. I don't -- I don't recall that. I --  
10 frequently, but I don't know daily.

11 Q. Okay. And then after you left Insight, did you  
12 continue to talk to him frequently or was it less often?

13 A. Less often, yeah, for sure.

14 Q. About how often?

15 A. I would say that there were -- there were years  
16 when we spoke maybe every couple months, and there were  
17 years that we spoke much more frequently, like weekly, you  
18 know, especially after he got married and had kids.

19 Q. So after you got married and had kids, you  
20 talked to him you would say more weekly?

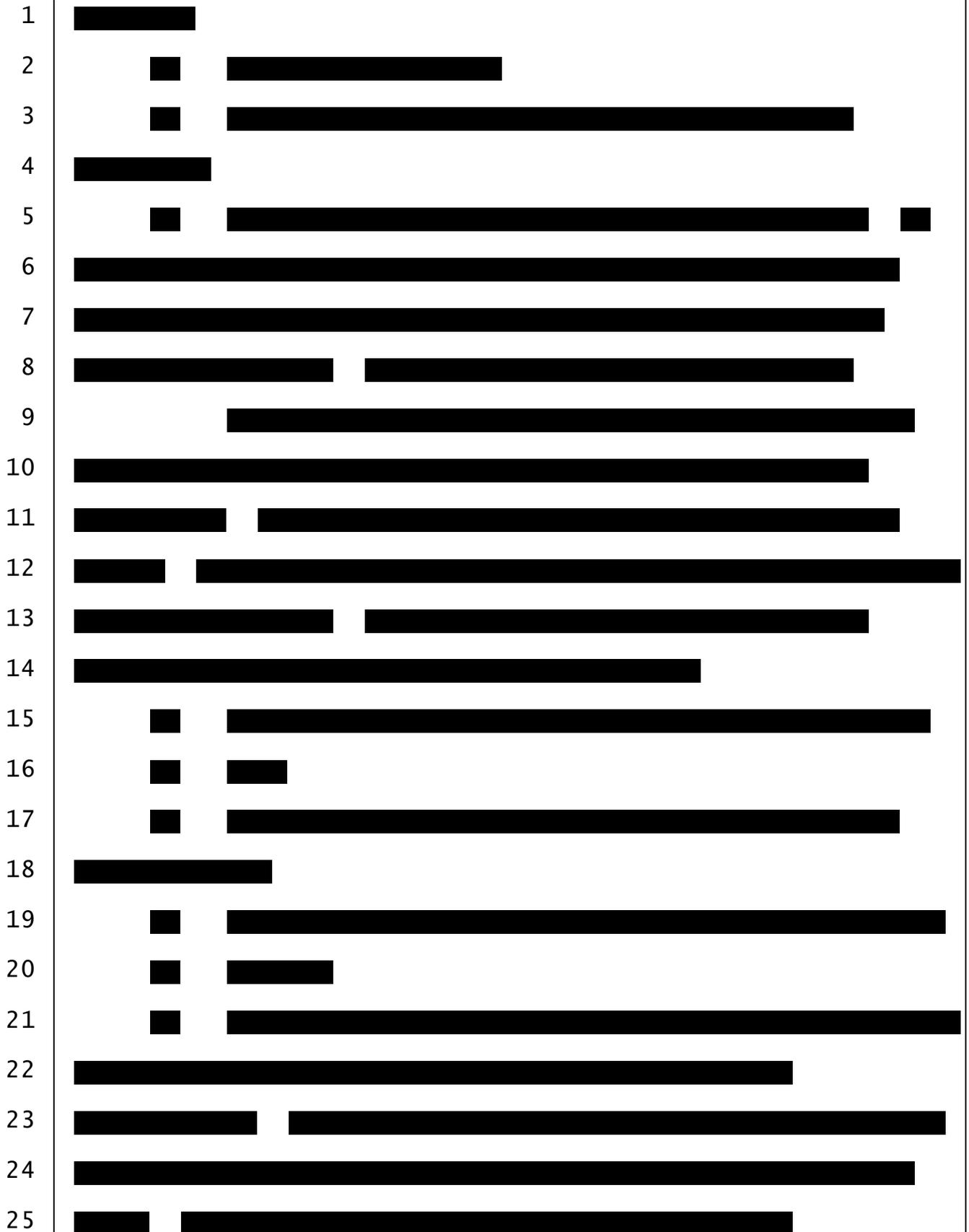
21 A. Yes, because we have children that are similar  
22 ages.

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

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1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED] [REDACTED] [REDACTED]

5 [REDACTED] [REDACTED]

6 [REDACTED] [REDACTED]

7 [REDACTED] [REDACTED]

8 [REDACTED] [REDACTED]

9 [REDACTED] [REDACTED]

10 [REDACTED]

11 [REDACTED] [REDACTED]

12 [REDACTED]

13 [REDACTED] [REDACTED]

14 [REDACTED] [REDACTED]

15 [REDACTED] [REDACTED]

16 [REDACTED]

17 [REDACTED] [REDACTED]

18 [REDACTED]

19 [REDACTED] [REDACTED]

20 Q. So you didn't see any real personality changes  
21 or mental issues?

22 A. No. I would say that when we would have a  
23 discussion, it's not even a discussion, or comments about  
24 the boys' sports or something like that, sometimes he  
25 would have to change what he was doing because Ranasha

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1 couldn't do it, or vice versa, so there was just some of  
2 that kind of, you know, typical concern. Or: Oh, I've  
3 got to go. But it was never, like, a negative thing, at  
4 least from my perspective.

5 Q. Okay. Did you know any of Denny's others  
6 friends?

7 A. I knew Brian, and I don't even know how to say  
8 his last name, a little bit.

9 Q. Imdieke?

10 A. Okay. I will agree with that pronunciation.  
11 I'm not sure how to say it.

12 Q. I'm not saying it's right. I just wanted to get  
13 it on the record.

14 A. Okay. Yes, it starts with an I. I met him a  
15 little bit. And, I mean, mostly it was family, and I met  
16 some of the boys' sports moms and dads, you know, that  
17 Denny seemed to be fairly friendly with.

18 Q. Did you ever have discussions with Brian about  
19 DenSco?

20 A. No.

21 Q. Do you know if there was anyone else that Denny  
22 confided in?

23 A. No.

24 Q. Does that mean you don't think there was anyone  
25 else or just that you don't know?

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1 A. Can you repeat that?

2 Q. Do you not know of anyone else who Denny  
3 confided in, or do you think Denny didn't confide in  
4 anyone?

5 MR. STURR: Object to the form and foundation.

6 Q. To your knowledge, did Denny confide in anyone  
7 else?

8 A. I don't know. I would think that he may have,  
9 but I am unaware of it, and it could be that he didn't. I  
10 just don't know.

11 Q. Did you know anything about Denny's financial  
12 situation?

13 A. No.

14 Q. Did you know that Denny kept journals?

15 A. I mean, over the years I knew him, I think I  
16 might have heard him mention of him writing stuff down,  
17 you know, a couple times.

18 I remember when we -- we were at work, I used to  
19 keep a composition book that I would write down all the  
20 stuff I needed to do, it was kind of like my to-do list,  
21 and I don't think Denny's list was like that exactly, but  
22 I know that he wrote a lot of stuff in lists and wrote  
23 stuff down. But other than that, no.

24 Q. What's your general impression of Denny?

25 A. My general impression of Denny was that he was

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1 very different than me, and he is very smart, quick,  
2 trustworthy, and reliable.

3 Q. Others have said that he was the smartest guy in  
4 the room, particularly with financing.

5 Would you agree?

6 MR. STURR: Object to the form.

7 THE WITNESS: Yes, especially compared to me,  
8 but, yes, absolutely.

9 Q. From your impression, did Denny general follow  
10 advice given by other people to him?

11 MR. STURR: Foundation, form.

12 THE WITNESS: I mean, from my experience, I  
13 would say so.

14 Q. And if he disagreed with that advice, would he  
15 still follow it?

16 MR. STURR: Form and foundation.

17 THE WITNESS: You know, I don't know.

18 Q. Did your impression of Denny change over time?

19 A. No.

20 Q. Did he seem isolated?

21 A. No, not especially.

22 Q. Did he seem to be having any mental issues at  
23 any point in time?

24 A. No.

25 Q. Did Denny talk to you about starting DenSco?

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1 A. I don't think he talked to me about starting  
2 DenSco. I believe that I was living not in the country  
3 when he was thinking about starting it.

4 Q. And so at what point did you become aware of  
5 DenSco?

6 A. That's a good question. I don't know. I know  
7 when I -- I don't recall specifically when I invested, but  
8 I felt very comfortable at that, whatever date that was.

9 Q. Do you think around when you invested is when  
10 you would have learned of DenSco?

11 A. I probably learned about DenSco maybe six months  
12 or a year before. Just either the concept or that he had  
13 started it or, I don't know. It's a long time ago.

14 Q. I hear ya.

15 And do you remember what you initially learned?

16 A. Just the concept of there are people out there  
17 that buy houses and fix them up in a short period of time,  
18 and then charge more than what they paid for it and what  
19 they remodeled it for, and then they pay back the loan and  
20 they make the spread. The concept of the business, that  
21 was what I learned about it.

22 Q. And so you generally understood that DenSco  
23 would be providing loans to individuals who flipped --

24 A. Yes.

25 Q. -- houses?

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1 And then would be paid back with interest?

2 A. Yes.

3 Q. Let's go -- it's actually three documents in.  
4 It has 1141 on the bottom.

5 (Deposition Exhibit No. 785 was marked for  
6 identification.)

7 Q. So this is a large stack --

8 A. Okay.

9 Q. -- of subscription agreements.

10 A. Okay.

11 Q. You can take a quick minute to look through it.  
12 It's marked Exhibit No. 785. But it may help you with  
13 timing.

14 A. Okay. Yeah.

15 MR. STURR: Shelley, before you begin, can you  
16 just, for the record, identify the source of the document?  
17 It has multiple Bates numbers on different pages.

18 MS. TOLMAN: Yes. So we took the documents, and  
19 you can see the Bates numbers, we took the documents that  
20 were submitted as groups of subscription agreements, but  
21 some of them were not complete in these sets, and so then  
22 we added a complete version just so that we would have the  
23 most complete version for the record. And these have all  
24 been produced at some point in time in the litigation with  
25 Bates numbers.

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1 MR. STURR: Just can you help me out? I'm  
2 sorry. I see some that say CH-REC-DEP, which I assume is  
3 Clark Hill receiver depository.

4 MS. TOLMAN: Yes.

5 MR. ZIMMERMAN: And I see some that are marked  
6 with a D number and a number below that.

7 MS. TOLMAN: Those ones would have been -- my  
8 understanding is that those were produced by the  
9 plaintiffs at some point in time.

10 MR. STURR: You are mistaken. Any documents we  
11 produced in this case would be marked as such. These  
12 documents I can tell you came from the receiver's  
13 depository. We did not produce them.

14 MS. TOLMAN: From the receiver's depository.

15 MR. STURR: Correct, but we did not produce  
16 them. So I just want to be clear about that.

17 And then you have some other documents that are  
18 marked CH\_EstateSTD. Can you identify the source of those  
19 documents, please?

20 MS. TOLMAN: Those would have been from a  
21 subpoena duces tecum to the estate.

22 MR. STURR: Thank you.

23 MS. TOLMAN: So the D documents, just to be  
24 clear, they came from the receiver, but you wouldn't  
25 consider them produced. Is that --

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1 MR. STURR: Correct. What we have done in this  
2 case is any documents that the receiver has produced, we  
3 put a receiver's number on it that comes from the  
4 depository. And we have complied with your firm's request  
5 for documents from the depository and we have produced  
6 them to you, and some of those have original numbers, and  
7 that would be the D number.

8 MS. TOLMAN: Right. So you did produce it to  
9 us?

10 MR. STURR: It was not produced. The depository  
11 was established for anyone to gain access to. Your firm  
12 has signed an agreement to gain access to the depository  
13 documents, and we have produced them pursuant to the  
14 Depository Access Agreement. We have provided them, not  
15 produced them.

16 MS. TOLMAN: Understood. Got it.

17 Q. So if you find in this big stack towards the  
18 end, the bottom number here is D133170.

19 A. Okay.

20 Q. And that date is July 26 of 2001.

21 Do you recall that that would have been the day  
22 that you first invested?

23 A. Yeah. I don't specifically recall it, but 2001  
24 sounds -- sounds right.

25 Q. And is that your signature?

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1 A. Yes.

2 Q. And this is a two-year accrual note?

3 A. It looks to be, yes.

4 Q. Interest rate of 12 percent?

5 A. Yes.

6 Q. And if you go to the 1, subscription, it's the  
7 first paragraph --

8 A. Uh-huh.

9 Q. -- it reads: The undersigned investor has  
10 received and reviewed the Confidential Private Offering  
11 Memorandum, dated July 21st, 2001.

12 Do you remember receiving that document?

13 A. I received it. I remember receiving the, I  
14 would call it a PPM, but a POM before I signed this, yeah.

15 Q. Do you remember reviewing that POM?

16 A. Yeah. Yes.

17 Q. Do you -- did you have any discussions with  
18 Denny regarding the POM?

19 A. I doubt it.

20 Q. Do you remember anything specifically about the  
21 POM?

22 A. I think there were some things in there about  
23 the risks and some interesting information about timing of  
24 loans and loan to value stuff that maybe, you know, that  
25 probably stuck in my mind because they were numbers or

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1 something like that, but not specifically.

2 Q. Do you remember anything specific about the  
3 risks disclosed?

4 A. No.

5 Q. Just a general risk with an investment of this  
6 kind?

7 A. Yeah, I would -- I think I would -- thinking  
8 about it now, I'm -- you know, there were probably a  
9 number of different risks and so on that you would  
10 disclose, and, you know, it's a single person running it,  
11 you know, the market is super volatile, stuff like that.

12 Q. And the timing of the loans, what specifically  
13 do you remember about the timing?

14 A. The length of the loans.

15 Q. That you were providing as your investment or  
16 that DenSco provided to borrowers?

17 A. I don't understand what you are asking me.

18 Q. When you are talking about the length of the  
19 loan, are you talking about the length of the loan that  
20 DenSco provided to the borrowers, the flippers?

21 A. Yes. Yes. The -- how many days typically a  
22 loan would be out.

23 Q. And on the loan-to-value ratio, what do you  
24 remember about that?

25 A. I don't remember a specific number.

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1 Q. Just that there was a loan-to-value ratio that  
2 DenSco tried to maintain when lending funds?

3 A. Yeah. Yes.

4 Q. Do you remember anything else?

5 A. No.

6 Q. Would you have taken notes?

7 A. No, definitely not.

8 Q. Would you still have a copy of it?

9 A. I don't know.

10 Q. And so at this point did you have a better  
11 understanding of what DenSco did?

12 A. At -- at this date --

13 Q. Uh-huh.

14 A. -- as opposed to previous?

15 Q. Uh-huh.

16 A. Yes.

17 Q. And is it more than what you told me? Did you  
18 understand anything more specific than what you have told  
19 me?

20 A. No.

21 Q. And why did you decide to invest in DenSco?

22 A. It seemed like a really good investment. It  
23 seemed fairly secure. I -- I knew Denny. We had worked  
24 together a long time. I felt comfortable.

25 Q. And what about it made it seem secure?

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1 A. The lending on properties at what seemed to me a  
2 lower loan-to-value ratio, and also that you would have  
3 the first deed of trust on the property.

4 Q. And where did you see that there would be the  
5 first deed of trust on the property?

6 A. Just in understanding the business, as Denny  
7 explained it. I'm sure it was probably in the Private  
8 offering Memorandum.

9 Q. And did you ever talk to Denny about how he  
10 obtained the first position on the deed of trust?

11 A. No.

12 Q. Did you have any understanding of the procedures  
13 that Denny went through in loaning money?

14 A. At a very cursory level. Just he would explain  
15 the process, like someone would want money, he would do X,  
16 Y, and Z. They would get the money, and then they would  
17 pay him back. That was my understanding of how it worked.

18 Q. Did you know how he gave them the funds?

19 A. No.

20 Q. Do you know if he used a title company?

21 A. No.

22 Q. Do you know if he wired funds directly to a  
23 borrower?

24 A. I only know that he used to wire money.

25 Q. How do you know that he wired money?

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1           A.    He would talk about, you know, like in the  
2 course of conversation, he would say, you know, "I  
3 wired" -- instead of saying, just describing it, it was  
4 kind of like that's how he would move the money. It  
5 wouldn't be in -- like they wouldn't take a bunch of cash  
6 and move it or they wouldn't write checks. They would  
7 just wire the money around. So just from him saying it  
8 through conversation, that's how I understood a lot of the  
9 money moved around.

10           Q.    And did you understand that he wired money  
11 directly to the borrower?

12           A.    No.

13           Q.    Did he ever mention, for example, I'm wiring  
14 money to random name that you knew was a borrower?

15           A.    No, he wouldn't. I mean, we -- it was not a  
16 specific reference. Like he wouldn't say -- I don't know.  
17 We are talking about one of his sons and he would go: Oh,  
18 yeah. He wouldn't say: I wired \$500,000 to someone. I  
19 didn't any -- any of the people really.

20           Q.    And other than what we have talked about, did  
21 you have any other discussions with Denny regarding your  
22 investment at this point in time?

23           A.    2001?

24           Q.    Uh-huh.

25           A.    Oh, no.

PAUL KENT, 3/19/2019

1 Q. And did you assume that Denny knew how to make  
2 sure that DenSco was in a first position?

3 A. Yeah.

4 Q. And why did you think that?

5 A. Denny is a diligent detail-oriented person.

6 Q. Do you know of any experience that Denny has in  
7 this area?

8 A. No.

9 Q. Did Denny ever talk to you about DenSco's  
10 diversification of loans, for example, making smaller  
11 loans to multiple borrowers?

12 A. No.

13 Q. Did you read anything on the POM about that?

14 A. Not that I recall.

15 Q. Did you feel comfortable that Denny had enough  
16 experience to know how to set up his lending practices to  
17 ensure that the loans were in first position?

18 A. Yeah, I felt very comfortable.

19 Q. Did you know anything about DenSco's finances at  
20 this time?

21 A. No.

22 Q. So it's a bit tricky to go through each of these  
23 documents --

24 A. Okay.

25 Q. -- because it's a big stack, and you were

PAUL KENT, 3/19/2019

1 investing for quite a long time.

2 A. Yes.

3 Q. But it looks like, from my review, that you made  
4 four additional investments to reach a total of 380,000.

5 Does that sound right to you?

6 A. Sounds right.

7 Q. So if we go to, the bottom number is D133158.

8 A. D133158. Okay.

9 Q. And this document shows an investment of  
10 \$100,000 to your note --

11 A. That's on 157?

12 Q. Yes, exactly.

13 A. Yes.

14 Q. -- to your note, saying accrual note at  
15 12 percent interest rate?

16 A. Yes.

17 Q. It also references the 2001 POM.

18 Do you remember anything different about the POM  
19 or your discussions with Denny before you made this  
20 investment?

21 A. No.

22 Q. And then if we go to D133183.

23 Oh, sorry. Before you do that, this is your  
24 signature?

25 A. Yes.

PAUL KENT, 3/19/2019

1 Q. So D133183.

2 A. 133 --

3 Q. 183, sorry.

4 A. Sorry.

5 Q. 133183.

6 A. 133 --

7 Q. I know.

8 A. 133183?

9 Q. You got it.

10 A. I don't know. I must be going the wrong way  
11 here.

12 Q. I think you were just almost there. There is  
13 the 137, so you should be almost there. The next page.

14 A. Oh, 138.

15 Q. 138.

16 A. Oh, I'm sorry. I thought you said 183.

17 Q. No. You're right. I did. It's 138. I'm  
18 sorry. I totally just messed you up.

19 MR. ZIMMERMAN: 138 is the other way.

20 THE WITNESS: Okay.

21 Q. Keep going.

22 A. Oh, 138. Right here.

23 Q. No. 183.

24 MR. ZIMMERMAN: We will get there.

25 THE WITNESS: Okay. 133183.

PAUL KENT, 3/19/2019

1 Q. Success.

2 So this is an investment in the amount of  
3 \$100,000 on July 16th, 2003?

4 A. Yes.

5 Q. And is that your signature?

6 A. Yes.

7 Q. And, again, it's an accrual note, two years, at  
8 an interest rate of 12 percent?

9 A. Yes.

10 Q. And this one references, in the first paragraph,  
11 your receipt and review of a POM dated June 1st, 2003.

12 Did you receive that POM?

13 A. I believe so.

14 Q. Do you remember how you would have received  
15 that?

16 A. I think he would have handed it to me.

17 Q. Did you talk to Denny about it when he handed it  
18 to you?

19 A. Probably not.

20 Q. Did you talk to Denny about it any point in time  
21 that you can remember?

22 A. No. Sorry. No. I was a little low.

23 Q. Did you review the POM?

24 A. I believe so.

25 Q. Do you remember anything different?

PAUL KENT, 3/19/2019

1 A. No, I don't.

2 Q. And did you remember any other discussions with  
3 Denny regarding this investment?

4 A. No.

5 Q. So if you go back just a couple pages.

6 A. Okay.

7 Q. 178 is the last three digits.

8 A. 178.

9 Q. No. Sorry. Wrong. Take it back. Move forward  
10 one to 186. I apologize.

11 A. 186. Okay.

12 Q. So this note looks very similar to the previous  
13 note, but slightly different. It's dated July 15th, 2003.  
14 And I can't tell if it's actually a separate investment or  
15 if you potentially signed two documents in duplicate.

16 A. The only thing that I can observe is that one is  
17 me individually, and the one the day later is my wife and  
18 I and the trust. So we might have been retitling it. I  
19 don't know.

20 Q. You don't think you made two \$100,000  
21 investments within a day?

22 A. I don't think so.

23 Q. So these are likely the same \$100,000?

24 A. I don't know.

25 Q. You don't know?

PAUL KENT, 3/19/2019

1 A. I don't know.

2 Q. Okay. Do you think it's more likely that it's  
3 the same \$100,000?

4 A. That's a long time ago. Let's see. I -- just  
5 looking at it right now, they are a day apart and one is  
6 in our trust and one is individual, so based on that, I  
7 would say that it's probably the same thing.

8 Q. Okay. So for number 4, in this stack I don't  
9 see a Subscription Agreement. Based on other records we  
10 have seen, it looks like you may have made an investment  
11 of \$50,000 on July 29th, 2004.

12 Does that sound right to you?

13 A. Yeah, it could be. I don't specifically recall  
14 it.

15 Q. Okay. Do you remember at any point in time  
16 receiving different or additional information in that 2004  
17 timeframe regarding your investment?

18 A. I don't recall anything.

19 Q. And then if you go back to, the last three  
20 digits are 178.

21 A. Okay.

22 Q. So this note is in the amount of \$80,000, and it  
23 looks like you chose this to be a monthly payment note  
24 rather than an accrual note.

25 A. Okay.

PAUL KENT, 3/19/2019

1 Q. Is that correct?

2 A. That's what it says, yes.

3 Q. And same 12 percent?

4 A. Yes.

5 Q. And that's your signature?

6 A. Yes.

7 Q. And this one again references the 2003 POM?

8 A. Yes.

9 Q. Do you remember anything additional or different  
10 regarding your review of the POM?

11 A. No.

12 Q. Do you remember anything additional or different  
13 in your discussions with Denny?

14 A. No.

15 Q. All right. If you go to the document ending in  
16 723. It should be the one just before what we were  
17 looking at. Sorry. Separate document. New document.  
18 That one.

19 (Deposition Exhibit No. 786 was marked for  
20 identification.)

21 Q. If you flip through quite a few pages, they are  
22 dated and we are looking for 625.

23 A. Oh.

24 MR. STURR: I'm sorry. This is the document  
25 that says DenSco 2004?

PAUL KENT, 3/19/2019

1 MS. TOLMAN: Yes.

2 MR. STURR: 685? Maybe I misheard you.

3 MS. TOLMAN: 6-25. It's just a date.

4 MR. STURR: Oh, I was looking at the Bates  
5 numbers. You are looking at the date on the document.

6 MS. TOLMAN: I thought that might be easier  
7 because they are all number 723.

8 MR. STURR: Oh, I see. Thank you, Shelley.

9 Q. The last paragraph states: Nasha and I -- or  
10 the last sentence in the paragraph states: Nasha and I  
11 spent 3 hours putting together my books for tomorrow and  
12 Mr. Kent. I'm going to have to meet with Paul and figure  
13 out how to do this.

14 Do you think he was referring to you?

15 A. I don't know. Let's see.

16 Can I read the rest of it?

17 Q. Yes, please. Thank you.

18 A. What year is this? I don't --

19 Q. 2004.

20 A. I have no idea what this is about.

21 Q. That's fair. If you will move over to 7-29.

22 A. Okay.

23 Q. If you would read that paragraph.

24 A. Okay.

25 Q. Do you remember observing Denny run DenSco for a

PAUL KENT, 3/19/2019

1 day?

2 A. Yeah. I don't know if it was a whole day, but  
3 yes.

4 Q. What do you remember from that day?

5 A. What year is this again?

6 Q. 2004.

7 A. So this is -- I had -- I had stopped working at  
8 Insight and I think I had extra time, and Denny has always  
9 offered for anybody to come and spend a day with him, see  
10 how he does the business.

11 So I had some time and I went over, and I  
12 remember seeing the deals on his desk, and, you know, he  
13 is -- he is doing business, he is on the phone. I can  
14 only hear one side of the conversation, but I could hear  
15 kind of the dealing going on. And it's interesting. It  
16 was fun to do.

17 Q. When you say you remember the deals on his desk,  
18 what did that look like?

19 A. I'm sure they weren't stapled, because probably  
20 Denny wouldn't staple things. They were probably paper  
21 clipped in a row along the desk. You know, there might  
22 have been 15 to 20. Maybe not 15. Maybe 10 to 15 deals  
23 on one side of his desk, and then he had his computer.  
24 And, you know, like this one is going out and this one is  
25 going to be paid off. He was just explaining to me. It

PAUL KENT, 3/19/2019

1 was interesting. I wasn't paying attention to the  
2 details, but it was just interesting to see how he did it.  
3 And that's all.

4 Q. And so the deals, was it the loan paperwork?  
5 Was it a deed of trust? What were the papers? Do you  
6 remember?

7 A. I -- I don't know. They were deals where he was  
8 loaning money to borrowers. They weren't investor --

9 Q. Okay.

10 A. -- papers. They were borrower papers.

11 Q. But you don't know specifically what the papers  
12 were?

13 A. No. I'm not very knowledgeable of real estate  
14 paperwork.

15 Q. And it mentions running out to get a cashier's  
16 check.

17 Did you know what he was going to do with that  
18 cashier's check or who it was made out to?

19 A. No.

20 MR. STURR: Objection; foundation.

21 Q. Did you see the cashier's check?

22 A. I don't recall.

23 MR. STURR: Same objection.

24 Q. So did you have any idea what he was doing with  
25 the cashier's check?

PAUL KENT, 3/19/2019

1 MR. STURR: Same objection.

2 THE WITNESS: I think it was to give to someone  
3 to fund a loan.

4 Q. And why do you think that?

5 A. Because that's what the business does, is loans  
6 money to people to fix up houses, so that's what I thought  
7 was happening.

8 Q. Okay. Back to Exhibit 785.

9 A. Okay.

10 Q. If you quickly browse through the rest of it,  
11 I'm not going to make you go through each one --

12 A. Okay.

13 Q. -- but from what I see here, you consistently  
14 rolled over each investment after the two years passed.  
15 Is that correct?

16 A. Yes.

17 Q. And on these documents, this generally looks  
18 like each of these pages are your signatures?

19 A. Yes.

20 Q. And for some of these, you collected interest  
21 and for some you accrued interest?

22 A. Yes.

23 Q. And other than that, the terms remained the same  
24 as you rolled over the investment every two years?

25 A. Yes.

PAUL KENT, 3/19/2019

1 Q. Okay. If you can find the document ending in  
2 773.

3 A. Okay. Yes.

4 MR. STURR: I'm sorry, Shelley. Where is this?  
5 Okay. I have got it now. Thank you.

6 MS. TOLMAN: Got it?

7 Q. This document references a POM dated 2009 in the  
8 first paragraph --

9 A. Okay.

10 Q. -- that you have received and reviewed.

11 Do you recall every two years, up until 2009,  
12 receiving a new and updated POM?

13 A. Not specifically, but generally, yes.

14 Q. And so what do you remember about the rolling  
15 over process and the additional information or documents  
16 you would receive from Denny?

17 A. If there was a new POM, then he would give it to  
18 me, along with the renewal. He would ask me: Hey, your  
19 investment or subscription is coming up. Do you want to  
20 roll it over? What do you want to do? And: I have a new  
21 POM. Or he would wouldn't mention it if he didn't have  
22 one.

23 And then I would say: Sure. And then he would  
24 say: I'll bring you the docs or I'll get you the docs to  
25 sign.

PAUL KENT, 3/19/2019

1 Q. And would he hand them to you physically --

2 A. Yeah.

3 Q. -- most of the time?

4 A. Yeah.

5 Q. Every time you think he physically handed you  
6 the docs?

7 A. From my recollection, yeah.

8 Q. Do you remember having any conversations with  
9 Denny about DenSco when you would receive the new renewal  
10 documents?

11 A. I mean, not specifically. I'm sure that I asked  
12 him how's it going, what's going on, you know.

13 Q. Do you remember anything that he told you?

14 A. No. He had his newsletter online, but, no, not  
15 specifically. We didn't talk about DenSco very much.

16 Q. Did you have a general understanding that things  
17 were going well?

18 A. Yeah. It was pretty agnostic. I mean, it  
19 wasn't -- it wasn't like a value -- we never talked about  
20 it, about was it doing well or was it doing bad. It was  
21 just his business and that's what he did when he wasn't  
22 doing things that weren't his business. It was very  
23 separate.

24 Q. Okay. And the specific items that you mentioned  
25 earlier that made you feel that this was a safe

PAUL KENT, 3/19/2019

1 investment, without any discussion, you continued to  
2 believe that those were true?

3 A. Yes.

4 Q. And do you remember reviewing the new POMs that  
5 came out to confirm?

6 A. Yeah, I would review them, but I wouldn't study  
7 them and make notes and write down questions.

8 Q. And you didn't notice any changes to them?

9 A. No.

10 Q. Were you looking for changes?

11 A. It's hard to find changes in a printed document  
12 that you can't compare to the other printed document. So  
13 I, you know, I would -- I would kind of glance over it,  
14 but that's about it.

15 Q. So the document we are looking at now with the  
16 Bates number ending in 773 --

17 A. Okay.

18 Q. -- is dated November 9th, 2015. And the POM  
19 that it's referencing is back in 2009.

20 A. Okay.

21 Q. Did you notice that this was quite a bit older?

22 A. No.

23 Q. Did that cause you any concern?

24 A. No.

25 Q. If you will move to the next document. You can

PAUL KENT, 3/19/2019

1 put that one down.

2 A. Oh, okay. This one or --

3 Q. No. She will land it to you.

4 (Deposition Exhibit No. 787 was marked for  
5 identification.)

6 Q. Do you remember receiving this email --

7 A. Yep.

8 Q. -- marked Exhibit 787?

9 A. Yes.

10 Q. Yep counts. That's a full word she can type.

11 Do you remember reviewing the POM dated  
12 July 1st, 2011, that's attached?

13 A. I remember seeing it. I don't specifically  
14 recall spending time reviewing it.

15 Q. Did you talk to Denny about the 2011 POM?

16 A. No.

17 Q. Do you remember if Denny handed you the 2011 POM  
18 even though your note references the 2009 POM, the one we  
19 just looked at?

20 A. I have no idea.

21 Q. This email mentions that Warren Bush, a  
22 long-time investor, reviewed and gave input.

23 Do you know anything about that?

24 A. No.

25 Q. Had you ever met Warren Bush?

PAUL KENT, 3/19/2019

1 A. No.

2 Q. And it also mentions that he updates this  
3 memorandum every two years.

4 When two years went by in 2013, 2014, and 2015,  
5 did you have any concerns about not receiving a new  
6 updated POM?

7 A. No.

8 Q. Were you continuing to talk to Denny about your  
9 investments at all?

10 A. Not really. We didn't talk much about what was  
11 in there or what wasn't in there.

12 Q. If you move to the next document.

13 (Deposition Exhibit No. 788 was marked for  
14 identification.)

15 Q. This email is marked 788 --

16 A. Okay.

17 Q. -- and it's an example of the renewals that we  
18 were discussing. This one mentions sending you the docs  
19 in the mail.

20 A. Okay.

21 Q. Do you have any additional memory, after looking  
22 at this?

23 A. I think the idea, it was summer, so probably I  
24 wasn't home or something, so he emailed them to me  
25 maybe --

PAUL KENT, 3/19/2019

1 Q. Uh-huh.

2 A. -- and then I printed them. I don't know.

3 That's --

4 Q. And do you think that you printed and signed the  
5 documents before you even received the 2009 POM referenced  
6 in the documents?

7 A. Probably.

8 Q. And from our records, we can see that Mary Kent,  
9 who was your mom, I believe --

10 A. Yes.

11 Q. -- also invested with DenSco.

12 A. Yes.

13 Q. Did you have any additional discussions with  
14 Denny regarding her investments?

15 A. Just about whether it was qualified money or  
16 regular money.

17 Q. Nothing else?

18 A. I mean, Denny knew my mother --

19 Q. Okay.

20 A. -- and so, you know, he would say how is she  
21 doing, that type of thing.

22 Q. Yeah.

23 A. So we would talk about my mother.

24 Q. Yes.

25 Did he ever talk to your mom directly?

PAUL KENT, 3/19/2019

1 A. Oh, I don't know. I think that he would email  
2 her. He would email the statements.

3 Q. Uh-huh.

4 A. So he might put a little personal note in the  
5 email. I mean, my mom is not great at email, so sometimes  
6 we would read it to her.

7 Q. On the whole, your mom invested based on your  
8 relationship with Denny?

9 A. Yeah.

10 Q. And you think it's probably unlikely that they  
11 had any conversations about the -- her investment --  
12 sorry. Let me rephrase that.

13 Do you think it's unlikely that your mom and  
14 Denny had any discussions regarding her investment in  
15 DenSco directly?

16 A. I would find it highly unlikely that they had a  
17 discussion about her investment.

18 Q. Do you think your mom would have reviewed the  
19 POMs?

20 A. I'm sure my mom was provided the POMs. I doubt  
21 that she would have read them.

22 Q. If you will move to the next document in your  
23 stack. This one should have at the end 1543.

24 (Deposition Exhibits No. 789 through 791 were  
25 marked for identification.)

PAUL KENT, 3/19/2019

1 Q. So you are looking at Exhibit 789, 790 and 791.

2 Do you remember receiving this first email  
3 marked 789?

4 MR. ZIMMERMAN: Take your time to read it.

5 THE WITNESS: Yeah. Generally, I believe so,  
6 yes.

7 Q. And take a look at the other two.

8 Do you recall sending and receiving these next  
9 two emails marked 790 and 791?

10 A. Yeah.

11 Q. And just so we have it on the record, the email  
12 address paul\_a\_kent@yahoo.com, that's your email address?

13 A. Yes.

14 Q. Did you have any others that you used with  
15 Denny?

16 A. No.

17 Q. So you understood --

18 A. Wait.

19 Q. Yeah.

20 A. I have my work email, but I don't know that I  
21 ever emailed him on that.

22 Q. Would you go ahead and give it to me, just in  
23 case.

24 A. Paul@flagstaffextreme.com.

25 Q. Thank you.

PAUL KENT, 3/19/2019

1                   You understood that you had to qualify as an  
2 accredited investor to invest in DenSco?

3           A.    Uh-huh.  Yes.

4           Q.    And what was your understanding of why?

5           A.    Accredited investors, the purpose of that is so  
6 that people don't invest all of their money into an  
7 investment that is in a certain category, I don't know,  
8 risky or something like that, so that there is at least  
9 some oversight that what you are putting in is not all of  
10 your net worth.

11          Q.    And so did you understand that this was a higher  
12 risk, DenSco was a higher-risk investment?

13          A.    Oh, yes.  At all times.  Yeah.

14          Q.    And why did you think it was a higher risk?

15          A.    Well, interest rate is relatively high, and  
16 compared to a diversified mutual fund, you know, it's  
17 different.  It's different than U.S. treasuries --

18          Q.    Uh-huh.

19          A.    -- you know.

20          Q.    Okay.  And looking through the following emails,  
21 it looks like you thought you needed to change your  
22 investment amount.

23          A.    Uh-huh.

24          Q.    Do you remember why you thought that?

25          A.    It must have been my understanding of the form.

PAUL KENT, 3/19/2019

1 Q. Looking at the form, is there anything specific  
2 that stands out at you?

3 A. What year is this? 2010.

4 So I wasn't -- I would say that my concerns, and  
5 I'm not -- I don't have specific recollection of, but  
6 during this timeframe, I was not working. Well, I was  
7 working, but I was working part time, making a lot less  
8 than I used to make.

9 Q. Okay.

10 A. And so I think that I was a little worried that  
11 maybe I didn't qualify, or something like that.

12 Q. Okay. If you look back at the terrible exhibit,  
13 Exhibit 785, back in this pile --

14 A. This one.

15 Q. -- and find the last three digits ending in 783.

16 A. Which -- which number?

17 Q. The D number.

18 A. Okay.

19 Q. Sorry.

20 A. 783.

21 Q. 126783.

22 A. Okay.

23 Q. This looks like the questionnaire that you  
24 filled out, is that correct?

25 A. In 2010, yes.

PAUL KENT, 3/19/2019

1 Q. Yes.

2 A. Yes. Okay.

3 Q. And on the last page, next to your signature and  
4 the date November 30th, 2010, there is a note: This was  
5 the part that I felt I needed to change my investment  
6 level because of.

7 would you read that, and just let me know if  
8 that gives you any additional memory.

9 A. Not specifically. Let me take a look at this.

10 I don't know. I didn't write -- I should have  
11 put an arrow or something of what I was talking about, or  
12 maybe I highlighted it.

13 Q. I mean, if only you knew you were going to be  
14 deposed --

15 A. Yeah.

16 Q. -- nine years later.

17 A. I think I was -- I was probably just concerned  
18 because I wasn't working.

19 Q. And so your annual income was lower?

20 A. Yeah. I don't know.

21 Q. But you remained above the \$1 million level?

22 A. Yes. Yes.

23 Q. Did you have any information regarding the  
24 growth of the amount of money that DenSco loaned out over  
25 the years?

PAUL KENT, 3/19/2019

1 A. Generally, but, no, not specifically.

2 Q. Did it cause any concerns regarding Denny's  
3 ability to handle the higher volume of loans?

4 A. I recall that Denny and I had a conversation, or  
5 maybe it might have been a couple times over the, I don't  
6 know, 14 years of, you know, at what point can you do all  
7 these loans, you know, when does it become too much or  
8 does someone have to help you or something like that.

9 And I think at one time Ranasha helped him a  
10 little bit or, you know, something like that, but it was  
11 just one of those things. Like he would ask me about my  
12 business. Well, how do you maintain or manage all of  
13 those staff? You know, it was just kind of those  
14 discussions about what is -- how does your business handle  
15 this and how does this business handle that kind of  
16 discussions.

17 Q. Did he think he had hit a point where it was too  
18 many loans to handle?

19 A. I think at times, you know, he would mention  
20 that, you know, he has got a lot going on and he would  
21 spend a lot more time with it, but...

22 Q. And was that because he wanted to have enough  
23 time to spend with his kids, and so he was trying to  
24 manage his time constraints?

25 A. I don't -- I don't really know. I know that he

PAUL KENT, 3/19/2019

1 spent a lot of time with his kids and doing kid stuff.

2 Q. And you mentioned that Ranasha helped at one  
3 point in time.

4 Do you know of anyone else helping with DenSco?

5 A. No.

6 Q. Do you know of any other attorneys or advisors  
7 that helped DenSco?

8 A. No.

9 Q. Do you know of anyone that Denny got advice from  
10 regarding running DenSco?

11 A. No.

12 Q. Okay. Next exhibit, ending in 91815.

13 (Deposition Exhibit No. 792 was marked for  
14 identification.)

15 Q. This email is dated -- is marked Exhibit 792,  
16 dated 3/27/2012.

17 Do you recall receiving this email?

18 A. Let me read it.

19 Q. Yep. Thank you.

20 A. I'm just trying to find how it works here.

21 11:36.

22 Yes.

23 Q. So you are talking to Denny about a  
24 withdrawal --

25 A. Yes.

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1 Q. -- of 25,000 from DenSco, and he states: Sure,  
2 might be this week, end of the month, tons of payoffs are  
3 coming, but surely early next week.

4 Did you have an understanding that DenSco  
5 generally loaned out all of the money that was coming in?

6 A. Yes.

7 Q. And so it did not have any excess funds that it  
8 was sitting on?

9 A. The -- the way I understood it is that if you  
10 have a bunch of money sitting that isn't loaned out, then  
11 it's only earning interest sitting in the bank, but you  
12 are paying your investors 12 percent. So if it's not all  
13 loaned out, that's bad.

14 Q. And you understood that from talking to Denny?

15 A. Yeah.

16 Q. And so would those discussions, would they  
17 happen when you were renewing your investment or was that  
18 one of your you are talking to Denny about his work  
19 discussions?

20 A. To me it was kind of the business model of, you  
21 know, you are -- you are loaning money to someone who is  
22 going to keep it for a short period of time, and then they  
23 are going to pay it back to you. But if you have  
24 investors, they are getting paid all the time. So just  
25 part of how the business model worked.

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1 Q. So that was your understanding in your brain, or  
2 did you actually talk to Denny about that?

3 A. I don't think that he said: I need to keep  
4 everything loaned out because it's less profitable if I  
5 have money sitting in the bank. I think I figured, you  
6 know --

7 Q. Figured it out?

8 A. -- I think I figured that out and maybe  
9 confirmed with him that, oh, yeah, this is -- you need to  
10 keep it loaned out.

11 Q. And so you understood that the security was  
12 really in the properties --

13 A. Yes.

14 Q. -- that were securing the loans?

15 A. Yes.

16 Q. And you didn't have any concerns regarding that  
17 model because Denny had a strong knowledge regarding the  
18 financing and lending procedures?

19 MR. STURR: Object to the form.

20 THE WITNESS: I would say my experience with  
21 Denny and the length of time that I was in the investment  
22 made me feel very comfortable.

23 Maybe you can ask the question again.

24 Q. Yeah.

25 Did you feel comfortable with Denny's knowledge

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1 of how to run DenSco as a hard-money lender?

2 A. Yeah. Yes.

3 Q. Did you have any specific discussions with Denny  
4 about that that made you feel that way?

5 A. Not really.

6 Q. Okay.

7 A. Just my understanding of anything that Denny was  
8 put in charge of or was in a work environment, he  
9 understood it, analyzed it, figured out a good way of  
10 improving it or doing it, so this was a similar type of  
11 thing.

12 Q. Okay. Next exhibit, ending in 352.

13 (Deposition Exhibit No. 793 was marked for  
14 identification.)

15 Q. If you will take a look at Exhibit 793.

16 A. Okay.

17 Q. The bottom email is a reference to you acting as  
18 a reference for Denny and DenSco.

19 Do you recall receiving this email?

20 A. I'm reading to myself.

21 Yeah, I remember this.

22 Q. Did you act as a reference for DenSco?

23 A. I think so. I can't specifically recall talking  
24 to Robert or Rodd Newhouse, but I -- it seems like I said  
25 I would, and I'm sure if he called me, I would have.

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1 Q. Do you think that you either talked to maybe it  
2 was Rodd, or maybe it was a different investor, but at  
3 some point in time you remember talking to a potential  
4 investor?

5 A. Yes.

6 Q. And what do you remember saying?

7 A. That I, you know, I have been a long-time,  
8 long-term investor. It seems like a good opportunity,  
9 good investment.

10 Usually had questions generally about the model,  
11 you know, and so I would explain to him my very simple  
12 explanation. And I had also known Denny, you know, since  
13 1990, so almost 20 years by the time of this email.

14 Q. What did you explain regarding the model?

15 A. That Denny would loan money to borrowers so they  
16 could fix and flip houses, and then they would pay him  
17 back with interest. And they were doing 18 percent or  
18 whatever the percentage was, but no points and no fees,  
19 and then investors would get 12, or if you had a shorter  
20 term, I think there were some other interest rates, but  
21 I'm not specifically sure. And I think that's what I  
22 would explain.

23 Q. Did you talk about loan-to-value ratio?

24 A. It's possible that I talked -- I'm trying to  
25 anticipate maybe what they asked me, you know, how can I

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1 feel safe or something, but that probably came up.

2 Q. Anything else that you think would have come up?

3 A. Maybe how long he was doing it, how long the  
4 business was going. Maybe how I knew, you know, Denny or  
5 something like that.

6 Q. Anything else about DenSco specifically?

7 A. I don't think so, because, I mean, also I -- I  
8 wasn't part of DenSco.

9 Q. Uh-huh.

10 A. So I -- you know, I would probably say, you  
11 know, you have to be an accredited investor. You need to  
12 read, you know, I call it a PPM, but a POM.

13 Q. Okay. Did you know of any issues that DenSco  
14 had due to the recession?

15 A. Generally, I think he took back a bunch of  
16 properties and he would hold them and rent them or he  
17 would have someone fix them and sell them. I think -- I  
18 think he took some losses.

19 Q. Did he ever talk to you to get advice --

20 A. No.

21 Q. -- about how to manage things?

22 A. No. I'm not a real estate guy.

23 Q. Do you remember anything else about issues with  
24 the recession?

25 A. No. A lot of the stuff he put on his website.

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1 Q. Uh-huh.

2 A. So no.

3 Q. And would you check the website just to kind of  
4 see what was happening?

5 A. No, not really. When he would email everybody  
6 an update or, like, say, hey, I updated the website, I  
7 might want to go to it, and I might also tell him it looks  
8 really -- it's not very well-designed, but, you know,  
9 something like that. Something like that.

10 Q. Do you know of any issues that DenSco had with  
11 its borrowers specifically?

12 A. No.

13 Q. Do you know of issues outside of the recession  
14 that DenSco had?

15 A. No.

16 Q. Did you have any understanding of how Denny or  
17 DenSco treated its borrowers when there were issues with  
18 payment?

19 A. No. I don't think I even knew really any of the  
20 borrowers. Denny had a lot of nicknames for people, so --  
21 but I don't specifically recall any -- any instances or  
22 anything that he talked to me about.

23 Q. Okay. Did he ever talk to you about enforcing  
24 the terms of his loans with borrowers who were in default?

25 A. No, he never spoke of that stuff.

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1 Q. Did you know of the FREO lawsuits, F-R-E-O?

2 A. No.

3 Q. Did you know of any issues, while Denny was  
4 alive, regarding lawsuits with DenSco?

5 A. No.

6 FREO, does it stands for something?

7 Q. I imagine so.

8 A. No.

9 Q. Did you know of any issues regarding double  
10 liens on the homes --

11 A. No.

12 Q. -- before Denny died?

13 All right. Next one, ends in 838.

14 (Deposition Exhibits No. 794 and 795 were marked  
15 for identification.)

16 Q. Would you take a quick look at Exhibit 794 and  
17 795.

18 A. Okay.

19 Q. Do you remember receiving --

20 A. Yes.

21 Q. -- Exhibit 794 and 795?

22 A. Yes.

23 Q. 794 references issues with Bank of America --

24 A. Okay.

25 Q. -- and Bank of America closing the account for

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1 multiple high-dollar consistent transactions to repeated  
2 like accounts.

3 Did this cause you any concerns?

4 A. No, not really.

5 Q. Did you talk to Denny about it?

6 A. I'm sure we spoke about it. The second part of  
7 the email is really classic Denny stream of consciousness.  
8 I think he told me the similar story verbally, you know,  
9 when I saw him, something like that.

10 Q. And at this point we are into 2014.

11 Have you noticed any changes in Denny at this  
12 point in time?

13 A. No.

14 Q. And he hasn't talked to you about any issues  
15 that he is facing at this point in time?

16 A. No.

17 Q. And the next exhibit --

18 A. Can I go back?

19 Q. Uh-huh.

20 A. You are referring -- the answer is the same for  
21 both, but were you referring to personally or  
22 professionally?

23 Q. Both.

24 A. Okay. The answer is no to both, but I wasn't  
25 sure.

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1 Q. Thank you for clarifying.

2 Exhibit 795 --

3 A. Yes.

4 Q. -- he -- Denny is explaining that he has changed  
5 banks.

6 Did you talk to him about changing banks?

7 A. I mean, did I -- I don't think I spoke to him  
8 when I got the email about changing banks. Probably, if  
9 we spoke about it at all, it would have been: well, hey,  
10 you know, what happened?

11 Q. Yeah.

12 Do you remember what happened?

13 A. I think it had something to do with the  
14 situation with this bank, and he was concerned that they  
15 would do this again, because his business is multiple  
16 wires, you know, multiple high-dollar consistent  
17 transactions to repeated like accounts.

18 So I don't know that he -- that's the only  
19 connection I sort of get, was that there was some issue  
20 with continuing with the -- like they unfroze his account  
21 and then -- but then he was concerned that they might do  
22 it again, because it's bureaucratic and they would see the  
23 same thing and the computer would turn it off, and so on.

24 Q. Was it your understanding that it had happened  
25 again?

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1 A. No, I don't -- I don't know. That's just my  
2 recollection of...

3 Q. So you don't believe that Bank of America had  
4 closed his account?

5 A. I don't -- I don't know.

6 Q. You don't know.

7 You just know that Denny had concerns that Bank  
8 of America might close it again?

9 A. I don't know about the closing of the account.  
10 You are saying close the account? I thought they just  
11 froze his account.

12 Oh, closed his account. Yeah, I don't know.  
13 But then they reopened it, so I don't know.

14 Q. But your understanding of the reason he moved  
15 is, from talking to Denny, was that he was concerned that  
16 it might happen again, that Bank of America closed his  
17 account?

18 A. That's -- that's the general recollection I  
19 have. I don't -- I don't have any specific recollection,  
20 but that's generally what -- what I thought was this  
21 bank -- I think Denny felt that this bank was no longer  
22 treating him the way he needed to be treated to do this  
23 type of business, because it's -- it is this type of  
24 business, where you are wiring a lot of money to a lot of  
25 the same people over and over, and maybe FirstBank was

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1 going to be better.

2 Q. Okay. And if you will mark the next -- I was  
3 ambitious -- if you will mark the next four.

4 (Deposition Exhibits No. 796 through 799 were  
5 marked for identification.)

6 MS. TOLMAN: Quick break?

7 MR. ZIMMERMAN: Yes.

8 (A recess was taken from 10:34 a.m. to  
9 10:41 a.m.)

10 Q. Back on the record.

11 So Exhibit 796 through 799 --

12 A. Okay.

13 Q. -- do you recall receiving these emails?

14 A. Yes.

15 Q. And these emails reference the DenSco annual  
16 party?

17 A. Yeah. Yep. Investment, investor, yes, dinner  
18 thing, yes.

19 Q. What do you remember about that party?

20 A. Any of them or all of them or -- these are all  
21 different years.

22 Q. Can you give me a sense of was this the same  
23 general annual party?

24 A. Oh, yeah.

25 Q. And who went, what was it?

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1 A. Mostly it was local investors, a lot of people  
2 that I know, and maybe some of his parents' friends that  
3 were investors that would come into town. He would  
4 typically do it in March, because of spring training and  
5 something like that. There was food and people would  
6 talk.

7 Q. Did people talk about DenSco?

8 A. Not really. I mean, not -- not in my  
9 experience. I would talk to the people that I knew: Hey,  
10 what's going on with you? How are you doing? How are  
11 your kids? I haven't seen you in a year. You know, that  
12 type of thing.

13 And during this timeframe of these emails, you  
14 know, my children were between 6 and 10, you know, so we  
15 were probably running around watching them or whatever the  
16 case may be.

17 Q. Yes. I hear you.

18 So did you meet a number of other investors at  
19 these parties?

20 A. I would say that I got introduced to or I  
21 introduced myself to a few people that I didn't know, you  
22 know, because there were also, Ranasha's parents would be  
23 there and other people that I knew that were investors.  
24 So I knew quite a few of the people and we would sort of  
25 gather together, because a number of the other investors

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1 used to work at Insight also.

2 Q. Okay.

3 A. And so, like, the Insight group, we would talk  
4 about whatever. And the Denny's family group would talk  
5 together. And there was a little bit of  
6 cross-pollination, but generally I didn't really -- I  
7 couldn't tell you anybody I met at one of his parties that  
8 that's the origin of why I know them.

9 Q. Okay. Other than the Insight group, did you  
10 already know other investors in DenSco?

11 A. I don't think so.

12 Q. Did you --

13 A. Let me correct that --

14 Q. Yeah.

15 A. -- because Denny's parents --

16 Q. Right.

17 A. -- and I think Ranasha's parents.

18 Q. Uh-huh.

19 A. So I knew them, but I don't know when they  
20 became investors.

21 Q. Okay.

22 A. I assume maybe before me, maybe after me.

23 Q. Okay. So did you ever discuss your investment  
24 in DenSco or DenSco generally with any of those investors?  
25 I don't think so. It might -- the only thing I

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1 could think, in a setting like this I might say is it's  
2 been good for me. You know, like, you know, there wasn't  
3 much to talk about.

4 Q. Okay. And that was because you were collecting  
5 interest regularly, to the extent that that was your note  
6 versus accrual?

7 A. Yeah. Yeah. I mean, to me it was if you are  
8 invested in a mutual fund, I don't talk about the mutual  
9 fund. You know, I just -- it either grows or goes down or  
10 whatever the case may be, and that's just -- that's what  
11 happens.

12 Q. Okay. Did you ever invest with any other  
13 hard-money lenders?

14 A. No.

15 Q. Did you ever borrow money from DenSco?

16 A. No.

17 Q. You had mentioned earlier that you regularly  
18 received the email updates and newsletters regarding  
19 DenSco.

20 A. Uh-huh.

21 Q. Did you ever ask Denny if there had been any  
22 changes you should know about? Did you talk to Denny in  
23 any way about these newsletters and updates?

24 A. Not with any depth. It might have been, like,  
25 if I saw a house that might have been near where I live, I

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1 could have said, hey, one of the houses you have is near  
2 me, or something like that, but no.

3 Q. Okay. Did you meet any DenSco borrowers?

4 A. I think at one of the later parties, he also  
5 invited some of the borrowers, but, again, they would  
6 be -- like if we were getting food and I was there and a  
7 borrower was there, Denny would introduce me or whatever,  
8 and say, hey, this is -- I don't even -- I couldn't tell  
9 you one of their names, because I immediately would forget  
10 that, and we would get food and go on, and that was it. I  
11 mean, I couldn't tell you who any borrower was.

12 Q. And you are referencing Exhibit 799 when you  
13 mentioned the party where some of the borrowers attended?

14 A. Well, it looks like I am, yes. 2011, yeah.

15 Q. Did you know of the MOM's group?

16 A. I didn't, until -- how do I explain this? I  
17 thought the MOM's group was literally a mom's group, but  
18 Denny being the main person that took care of the kids, I  
19 thought it was, like, a mom's group that Denny was in.  
20 That's what I thought it was.

21 Q. Because he would mention the MOM's group in  
22 passing?

23 A. Yeah. Or maybe even other people would mention  
24 it or something. Maybe his dad would mention it or  
25 something, and -- but I would gloss over it, because I

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1 thought it was, like, a mom's group. And it would be  
2 typically Denny that would he would be at the mom's group,  
3 because he was being Mr. Mom, that type of thing.

4 But after his death, you know, I understand now  
5 a bit more about what it is, what it was, but, no, I  
6 didn't know about it.

7 Q. Okay.

8 A. Well, I had heard about it, but I didn't  
9 understand what it was.

10 Q. Got it.

11 Did you know of any advisory group of investors  
12 that were working with DenSco, or a group of investors  
13 that would give DenSco advice?

14 A. No.

15 Q. All right. Do you know who David Beauchamp is?

16 A. I do now.

17 Q. What do you know?

18 A. I -- I know that David was the lawyer for  
19 DenSco.

20 Q. Do you know anything else?

21 A. I mean, until Denny's death, I didn't really  
22 know who -- I didn't know who he was. I don't think I had  
23 heard the name. It is possible, but I know that right  
24 after Denny died, that David's name started coming up and  
25 there were some communications, I think, from him or

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1 through Iggy, I mean Shawna, but that's, I mean, that's  
2 the -- like, I didn't know who he was prior really.

3 Q. So you don't remember Denny ever mentioning  
4 David Beauchamp before his death?

5 A. I don't recall him saying the name. It is  
6 possible that he might have said attorney or lawyer. I'm  
7 working on something or, you know, something like that,  
8 but I -- because I didn't know -- until today I didn't  
9 know how to pronounce his name.

10 Q. We will help you pronounce it correctly, because  
11 we have a Beauchamp here who is a BEE-CHAM.

12 A. BEE-CHAM, yeah.

13 Q. So confusing.

14 Do you remember any discussions with Denny  
15 regarding DenSco's attorney?

16 A. No.

17 Q. Do you know of any complaint with David  
18 Beauchamp's work before Denny's death?

19 A. I wasn't even aware of who David Beauchamp was,  
20 so no.

21 Q. Sitting here today, do you have a complaint  
22 regarding David Beauchamp's work before Denny's death?

23 A. I'm not a lawyer. I don't understand.

24 Q. That's all right.

25 And do you know of any other attorneys who ever

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1 worked with Denny or DenSco?

2 A. I don't think so. I don't know. I'm assuming  
3 he must have had other lawyers, but I don't know them.

4 Q. How did you learn of Denny's death?

5 A. Eldon called me on the phone.

6 Q. And was that -- do you remember what day that  
7 was?

8 A. No.

9 Q. Was it immediately?

10 A. It was within hours or even sooner. I don't  
11 know.

12 Q. And did you have any sense that Denny or DenSco  
13 were not doing well?

14 A. No.

15 Q. Were you surprised?

16 A. Yes.

17 Q. And Shawna mentioned that you helped out after  
18 Denny's death.

19 A. Yes.

20 Q. Can you describe for me what you did?

21 A. I helped clear out some of the house stuff.  
22 They wanted to donate some of the furniture to get it out  
23 of the house, so I helped arrange a thrift store to come  
24 and clear some things out. I think just -- just, you  
25 know, like being around. I think we visited with the

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1 family, sat with them.

2 Q. And that was Shawna and his parents?

3 A. Yeah. And then the blonde, and then Sharla.

4 And then after that, then Quilene came down, yes. So  
5 just -- I think just being there and whatever they wanted  
6 help with.

7 Q. When you helped clean out the house, did you  
8 deal with the DenSco documents or computers or items in  
9 any way?

10 A. No. I believe all that stuff was already gone  
11 or sequestered. I don't know. I don't know where it was.

12 Q. Do you know what happened with it?

13 A. No.

14 Q. In your discussions with Denny's family, did you  
15 talk with DenSco?

16 A. I mean, just from the standpoint of I -- I don't  
17 know what happened. This is a big surprise to me. I  
18 can't believe it, you know. Lost a lot of money.

19 But I think when we were with his family, we  
20 were trying to be supportive of them, and mostly -- I  
21 don't think I was trying to figure anything out. Yeah.

22 Q. Have you come to an understanding of why Denny  
23 killed himself?

24 A. That's a good question. I would say he did it  
25 because he was going to let everybody down that trusted

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1 him and that he was ashamed of what had happened, what he  
2 did and what was done to him.

3 Q. And what's your understanding of what was done?

4 A. My understanding of what was done was that a  
5 borrower put him in second position without letting him  
6 know or that happened, and that was a big bunch of money,  
7 and that Denny had tried to work out an agreement with him  
8 so he would pay that back. And then theoretically while  
9 that guy was paying him back, he started to falsify his  
10 documents that Denny was borrowing on, which exacerbated  
11 the scenario, and Denny did not disclose that to the  
12 investors.

13 Q. Do you have an understanding from your  
14 perspective of why Denny didn't disclose that?

15 A. I think he thought he could work out of it.

16 Q. And do you have a sense of what Denny would have  
17 been concerned about if he had disclosed?

18 A. I think he would have been concerned that people  
19 would -- I think primarily he would be concerned that  
20 people would see him in a different light and be upset  
21 with him personally.

22 And then secondarily, that people would take  
23 money out and it would bankrupt, you know, the situation  
24 and so on.

25 So I don't think he wanted to be embarrassed and

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1 I think he wanted to get people their money, so I think he  
2 was trying to find a way to do that, and then when he  
3 realized he couldn't do it, he didn't really want to face  
4 it.

5 Q. And your impression of Denny was that he was --  
6 it was important to him to be someone who was seen in a  
7 good light, who was reliable and trustworthy?

8 A. I don't think he cared what people thought of  
9 him.

10 Q. Uh-huh.

11 A. But I -- it was -- it was -- his actions were  
12 always louder than his words. So, you know, if we  
13 couldn't pick up our kids or something: Denny, can you go  
14 get them? Absolutely. And he would go get them, you  
15 know. And just very trustworthy from that standpoint.

16 And he -- he really, he was a little short, you  
17 know, with people, very to the point, and he definitely  
18 didn't have any clothing style, didn't care about his  
19 hair, you know, that kind of thing.

20 So I guess I'm trying to answer the question in  
21 a way that he cared that his reputation was one that was  
22 reliable and trustworthy and so on and so forth. He  
23 didn't care what people thought of him, other than he  
24 needed to have that relationship.

25 Q. Okay. If you will take a look at the document

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1 with the last four numbers 9462, a new exhibit.

2 This is long. If you will just read the first  
3 two pages.

4 A. Is this different than what I have -- what I  
5 have already seen?

6 Q. I don't know. That's one of the questions I'm  
7 going to ask you.

8 A. Okay.

9 Q. This exhibit has already been marked as Exhibit  
10 No. 413. It is a letter to investors.

11 Did you receive this before today?

12 A. I think so. I think that this is the same  
13 letter. It looks a little different maybe, because it's  
14 been copied a bunch of times --

15 Q. Uh-huh.

16 A. -- but yes.

17 Q. So when do you remember seeing it before?

18 A. I mean, after -- after his death. I don't know.

19 Q. Do you remember how you got it?

20 A. That's a great question. I don't know if it was  
21 emailed to us as investors. I don't think I was handed --  
22 I don't think I was given a physical copy. I don't  
23 recall.

24 Q. And do you know who would have emailed it to  
25 you?

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1 A. It's probably in my email somewhere. Maybe, I  
2 don't know, possibly Shawna. Possibly. But I think -- it  
3 wasn't sent to me directly. I think the only way I got it  
4 is when other people got it, I believe. I don't know.

5 Q. So Denny didn't send it to you at any point in  
6 time. You received it after his death --

7 A. Oh, yes.

8 Q. -- from someone else?

9 A. Yes.

10 Q. If you will take a look -- let's see, one, two,  
11 three, four, five -- six lines in --

12 A. Uh-huh.

13 Q. -- it was working perfectly --

14 A. Yeah.

15 Q. -- until 2008.

16 A. Uh-huh.

17 Q. We had the great recession and Phoenix was the  
18 epicenter of the housing crash.

19 I'm going to move through: I didn't come out of  
20 it unscathed, but I survived it which is more than I can  
21 say for many other lenders. I was able to talk to a few  
22 of you to help me make decisions on what I should do.  
23 Should I sell these houses I was getting back and take  
24 huge losses or keep them, rent them hope the market comes  
25 back. Gladly after consultations from several of you, you

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1 agreed with my strategy, it was smarter to rent them at  
2 cash flow neutral my interest costs and wait it out.

3 Did he talk to you about anything referenced  
4 there?

5 A. No.

6 Q. Do you know of any other investors that he  
7 talked to about that issue?

8 A. No.

9 Q. Moving further down, he is now talking about:  
10 Going in to 2013 I was starting to get larger idle cash  
11 positions on a regular basis. And he is referencing Scott  
12 Menaged, a long-time borrower.

13 He says: Scott contacted me and asked if I  
14 would be interested in funding a bank of rentals to which  
15 a hedge fund friend of his out of New York would buy once  
16 it reached 7 to 10 million. He would put down 15 to  
17 20 percent, fix them up and rent them and then when he  
18 acquire the total dollar amount he would sell out to this  
19 guy. That amount of money would take me over me 10 to  
20 15 percent threshold to any one borrower. Again I talked  
21 to a few of you investors and got a positive response,  
22 based on his track record, the down payments etc., the  
23 comfort level was there. I agreed.

24 Did he talk to you about that?

25 A. No.

PAUL KENT, 3/19/2019

1 Q. Do you know of any other investors that he  
2 talked to about that?

3 A. No.

4 Q. Do you even know which investors he potentially  
5 would have talked to about that issue?

6 A. No. I never saw a list. I only knew from the  
7 parties, the people that I knew.

8 Q. Uh-huh.

9 Do you have a sense of any investors that Denny  
10 was closer with or that he trusted their advice?

11 A. No.

12 Q. So he now says, a couple of lines down: A  
13 majority of the time my repeat borrowers are borrowing  
14 through bidding companies that I have relationships with.  
15 For efficiency sake, I would normally wire the funds I'm  
16 lending to, the bidding company they would get the check  
17 and give it to the trustee. Send me receipts. Sometimes  
18 I would even wire the full amount and my borrower would  
19 bring me their down payment check and bidding fee because  
20 they lived here in the East valley versus running across  
21 town. I've operated this way ever since I was given the  
22 ability to wire on line in 2003. Many of you knew this  
23 and I told you this is how I operated.

24 Do you -- does this fit with your understanding  
25 of him wiring funds?

PAUL KENT, 3/19/2019

1 A. The fact that he was --

2 MR. STURR: Form, foundation.

3 THE WITNESS: The fact that he was able to wire  
4 online --

5 Q. Uh-huh.

6 A. -- I knew about, because it was -- it was a new  
7 technological capability. To who, you know, and  
8 specifically which part of the process he was wiring into,  
9 I have no idea. I'm just saying that I know that I recall  
10 that it was a big deal that he could wire online --

11 Q. Okay.

12 A. -- because it was more efficient.

13 Q. And you had an understanding that he generally  
14 wired funds as part of DenSco's work?

15 A. Yes. Yes. I think prior to this, he would have  
16 to, like, go to the bank and get cashier's checks or go to  
17 the bank and wire the money.

18 Q. And was it your understanding that he would wire  
19 money pretty much for everything?

20 A. I don't -- I don't know.

21 Q. You don't know that. Okay.

22 And did you understand that he would wire the  
23 full amount and the borrower would bring a down payment  
24 check?

25 A. No, and I don't really understand what that

PAUL KENT, 3/19/2019

1 means.

2 Q. So he didn't specifically talk to you about  
3 where the wires went?

4 A. No.

5 Q. Or to whom the wires went?

6 A. No.

7 Q. But he talked to you about wiring funds?

8 A. Just the technical capacity, that he was able to  
9 do it, he was happy about that.

10 Q. Got it.

11 A. Yes.

12 Q. Okay. About halfway down --

13 A. Okay.

14 Q. -- on the following page: Mid way through the  
15 year, Scott contacted me asking if we could raise the bar  
16 even higher. He already had a few million of his own  
17 rentals and was doing a few flips. Now he wanted to add  
18 to the hedge fund portfolio. I was concerned because of  
19 the concentration with him; the portfolio was around  
20 \$50 million. It was only going to be for a few months and  
21 he had spotless payments of interest and I checked all the  
22 values of the properties, visited some of them, everything  
23 seemed to be in order. I agreed to the increase. We  
24 talked again in the fall and he was telling me I would be  
25 cashed out of these by year end. I again spoke with a few

PAUL KENT, 3/19/2019

1 of you saying that I might be returning some funds.

2 Do you recall that discussion with Denny?

3 A. No.

4 Q. Did Denny ever talk to you about potentially  
5 returning some funds?

6 A. There was -- there was an email that he sent  
7 where he was going to stop bringing in additional funds.

8 Q. Uh-huh.

9 A. My understanding of that was, you know, that it  
10 was getting only so much one person can handle scenario.  
11 That was all I recall.

12 Q. Okay. And do you know of any other investors  
13 that Denny spoke with about this issue?

14 A. No.

15 Q. What was your impression, generally, after  
16 reading this letter?

17 A. It's a long document. It sounds like he was  
18 trying to document as best he could what he was thinking,  
19 and what happened in his -- in his own way.

20 So I -- it's unfortunate. It's -- you know,  
21 people have lost a lot of money and Denny is not here, and  
22 that's -- I try not to get into the specifics of this  
23 letter, so...

24 Q. The next one. You can set that one down. This  
25 has already been marked as Exhibit 639. You can just take

PAUL KENT, 3/19/2019

1 it.

2 And then it's actually a stack, there is also  
3 exhibit, if you take off the paper clip, in your pile  
4 there is Exhibit No. 257 and Exhibit No. 268.

5 A. Okay.

6 MR. STURR: I'm sorry, Shelley. I'm trying to  
7 catch up with you. What are we doing?

8 MS. TOLMAN: We are on Exhibit 639 --

9 MR. STURR: 639.

10 MS. TOLMAN: -- 257, if you open that up, there  
11 is a couple in there, and 268 I just compiled.

12 MR. STURR: I see. Thank you.

13 Q. These are emails from David Beauchamp after  
14 Denny's death.

15 Do you remember receiving these emails?

16 A. Yes.

17 Q. And you mentioned that you generally try to stay  
18 out of the details of what happened with DenSco and what  
19 led to Denny's death and the loss of the money.

20 Did you do the same thing when receiving these  
21 emails from David Beauchamp?

22 A. Well, I think all of these -- I'm sorry. I  
23 think at the time most people were -- two things are going  
24 on. One, you know, we lost a friend; and two, we lost  
25 money. So we wanted to be sensitive to the family, but we

PAUL KENT, 3/19/2019

1 also wanted to find out if we were going to get any money  
2 back.

3 Q. Uh-huh.

4 A. So I think from my comment about not getting  
5 into the details of the letter are that that doesn't --  
6 the letter doesn't bring Denny back. And it -- the issues  
7 are above my knowledge and I'm not going to be able to  
8 solution whatever is going to happen, so -- so other than  
9 reading it for information, I didn't really feel like  
10 there was much that I could do. It wasn't like if I  
11 acted, I would get my money back or I would get other  
12 people's money back, so we would -- and there were a lot  
13 of emails going around. And so I would -- I would read  
14 them, but, you know, it was a rough, it was a rough time.

15 So that's my understanding, but --

16 Q. And you remember reading all of the emails  
17 between the investors and David Beauchamp?

18 A. Give me a minute to read these --

19 Q. Yeah.

20 A. -- so that I can see.

21 Q. And these are just a couple examples to help you  
22 remember.

23 A. I would say that 639 and 257 I recall. I don't  
24 specifically recall reading 268, but it looks like it was  
25 a forward saying I should have sent it to you guys, and my

PAUL KENT, 3/19/2019

1 email is on there. I just, I don't -- I don't recall the  
2 information in this -- in this email, although -- yeah.  
3 So I think this is the first time I'm reading this one.

4 Q. Okay. Do you know who David Beauchamp  
5 represented after Denny's death?

6 A. After Denny's death?

7 Q. Uh-huh.

8 A. I think DenSco.

9 Q. And did you have any understanding regarding  
10 whether it was a temporary or limited capacity?

11 MR. STURR: Object to the form.

12 THE WITNESS: No.

13 Q. What do you remember about the information that  
14 David Beauchamp was providing during that time?

15 A. Specifically, just I guess trying to get some  
16 communication out about what was happening, but in  
17 specific, I don't know.

18 Q. And did you think that it was helpful  
19 information?

20 A. I think any information that we would have  
21 gotten from any source at that time would have been, you  
22 know, welcome. I don't know -- I don't know if the  
23 content was valuable or not, but it was, it was good to --  
24 it was good to get something from someone who was, you  
25 know, involved in DenSco to send some information.

PAUL KENT, 3/19/2019

1 Q. And did you offer to serve on the advisory board  
2 that's mentioned for DenSco?

3 A. I don't think so. It was an advisory board  
4 of -- that was created after. I don't think I  
5 volunteered. I think Tony Smith was on it maybe.

6 Q. Do you know anything about the advisory, other  
7 than Tony Smith potentially being on it?

8 A. No, not that I recall.

9 Q. And did you talk to anyone who acted in some  
10 sort of advisory capacity, any group of investors, after  
11 Denny died?

12 A. I talked with or emailed with Tony Smith, but I  
13 believe it was about preserving our rights to do  
14 something. And we all, a bunch of us, put in a small  
15 amount of money to have some lawyer, people do something,  
16 but I don't think anything came of that.

17 Q. Okay.

18 A. I know that's super helpful what I just told  
19 you, but I can't describe it any better than that.

20 Q. Okay. So the -- your understanding is that the  
21 investors pooled a small amount of money to hire someone  
22 to try to help?

23 A. Yeah, but it was about -- it was more of a  
24 technical. Maybe it had something to do with getting  
25 listed as creditors on the estate maybe. It's very vague

PAUL KENT, 3/19/2019

1 to me.

2 Q. Whatever you remember, I'll take.

3 And do you remember you did put in a small  
4 amount of money?

5 A. I believe so, yes.

6 Q. And one of these emails mentions meeting with  
7 the Arizona Corporation Commission.

8 Do you know of the involvement of the  
9 Corporation Commission with DenSco after Denny's death?

10 A. From what I understand, that's how the receiver  
11 got appointed.

12 Q. And is it your understanding that David  
13 Beauchamp became less involved at that point in time?

14 MR. STURR: Form.

15 THE WITNESS: I don't know. I did not really  
16 know, until Denny's death, who David was, and I don't know  
17 the extent of his responsibilities or actions, you know.  
18 I just don't have understanding of that.

19 Q. Okay. Do you know of any involvement between  
20 David Beauchamp and DenSco or the investors after the  
21 Arizona Corporation Commission became involved?

22 A. No. I don't have any knowledge of when or if  
23 that would have happened.

24 Q. Okay. Do you have any complaint with what David  
25 Beauchamp did after Denny's death?

PAUL KENT, 3/19/2019

1 A. I don't know what the word "complaint" means,  
2 but I don't know what David did after Denny's death, so I  
3 don't know if I would be happy or sad about it.

4 Q. Based on your email interactions with David  
5 Beauchamp, are you feeling happy or sad about it?

6 A. I would say that --

7 MR. ZIMMERMAN: Objection; form.

8 MR. STURR: Join.

9 Q. I'll fix it. That was really more of a joke. I  
10 apologize.

11 Based on your email, just on the email  
12 communications that you had with David, do you have any --  
13 is there anything that you think happened that was a  
14 problem or that you had any objection to?

15 MR. ZIMMERMAN: Objection to form and  
16 foundation.

17 MR. STURR: Join.

18 THE WITNESS: I don't know. I -- I don't know  
19 what David should have been doing, did do, or shouldn't  
20 have done or didn't do, so I don't know.

21 Q. Yeah. I'm not trying to pin you down. I'm  
22 really trying to get your personal viewpoint on it. I  
23 know you are not an attorney.

24 A. Right.

25 Q. I'm just wondering if you had a personal

PAUL KENT, 3/19/2019

1 viewpoint.

2 A. I don't.

3 Q. Did you know of Scott Menaged before Denny's  
4 death?

5 A. No.

6 Q. Had you ever heard that name?

7 A. No. I did not know how to pronounce it.

8 Q. Had you seen it written?

9 A. No.

10 Q. Okay. Did you know that as early as 2012 there  
11 were issues with double liening --

12 A. No.

13 Q. -- of Menaged loans?

14 A. No.

15 Q. Did Denny share any information with you  
16 regarding any issues with Scott Menaged or double liening  
17 or lawsuits?

18 A. No, nothing.

19 Q. Do you know of any DenSco investors that had  
20 information about DenSco's loans to Scott Menaged?

21 A. No.

22 Q. And have you discussed Scott Menaged with DenSco  
23 investors after Denny's death?

24 A. Yeah. I think -- I think we all, you know, if  
25 we were verbal or by email: I can't believe this

PAUL KENT, 3/19/2019

1 happened. who is this Scott guy? You know, how do you  
2 say his last name? You know, this is really a bad  
3 situation, that kind of stuff, I guess, would be what --  
4 what I would recall that we talked about.

5 Q. Yeah. Nothing more specific?

6 A. No. Again, I would say that I personally didn't  
7 feel like I could find the money or help the receiver, you  
8 know. Like, I can't do any of that. I don't know any of  
9 that information. So I -- it was just more of just a bad  
10 situation and, you know, are we going to get any money  
11 out. What's going to be the outcome of this whole  
12 situation.

13 Q. Okay.

14 A. And of course we were always very concerned  
15 about the boys and the family.

16 Q. Yeah.

17 Do you think that Denny was truthful with anyone  
18 regarding the issues that he and DenSco faced due to Scott  
19 Menaged?

20 A. I don't know that.

21 Q. Do you know of anyone he was truthful with?

22 MR. STURR: Object to the form.

23 THE WITNESS: Are you asking me if Denny was  
24 ever truthful?

25 Q. No, no, no.

PAUL KENT, 3/19/2019

1 Do you know of anyone who he was truthful with  
2 regarding the Scott Menaged issues?

3 A. No, I don't know that.

4 Q. Do you think that he was truthful with anyone  
5 about the Scott Menaged issues?

6 MR. STURR: Form and foundation.

7 THE WITNESS: I don't know that.

8 Q. Do you have an understanding of why Denny didn't  
9 tell you about the issues with Scott Menaged's loans?

10 A. I think that he was -- I think in the first  
11 part, I think he felt like he had worked out a deal and he  
12 was going to get paid back, and then maybe in his mind he  
13 wasn't -- he didn't need to disclose it, but I think he  
14 probably would have been worried that he would have lost  
15 trust with people.

16 Q. Do you think that there is anything that could  
17 have changed that?

18 MR. STURR: Object to the form, foundation.

19 THE WITNESS: If there is anything that could  
20 change what?

21 Q. Denny telling other people about the issues with  
22 the Scott Menaged loans?

23 MR. STURR: Form and foundation.

24 MR. ZIMMERMAN: Join.

25 THE WITNESS: I don't know. I don't know.

PAUL KENT, 3/19/2019

1 Q. Do you know now that Menaged was indicted and is  
2 serving time in prison?

3 A. Yes.

4 Q. And did you participate when the receiver was  
5 pursuing Menaged?

6 MR. STURR: Object to the form.

7 THE WITNESS: I don't think so. The only  
8 interaction I have had with the receiver is to submit a  
9 claim.

10 Q. Okay.

11 A. As far as Menaged goes, I -- no.

12 Q. And do you think Denny knew what was happening  
13 with Scott Menaged at any point in time?

14 MR. STURR: Form and foundation.

15 MR. ZIMMERMAN: Join.

16 THE WITNESS: I think that, yes, at some point,  
17 he must have known what was happening. I think on the  
18 first set of being in second-position situation, I think  
19 that he felt that he could work it out and correct it and  
20 so on.

21 And then I think that when -- when he found out  
22 about the actual document fraud and cashier's check  
23 frauds, that that's when things went bad, but I'm not sure  
24 I'm answering your question.

25 Q. That's okay.

PAUL KENT, 3/19/2019

1           What do you think was the root cause of these  
2 DenSco issues?

3           MR. STURR: Form and foundation.

4           THE WITNESS: Probably -- the root cause of the  
5 problems? I would say that Denny is a very trusting  
6 person, and this Scott Menaged person was able to gain his  
7 confidence and Denny trusted him when he shouldn't have.

8           Q. And is that your experience with Denny, that he  
9 is trusting of others?

10          A. I think initially he is distrustful of others,  
11 and then I would say that would be his default initial  
12 response.

13          Q. Uh-huh.

14          A. And then over time, once he gets to know you and  
15 you prove yourself to him, then he is going to be loyal to  
16 you and trustworthy and all of those things, so yeah.

17          Q. And so you think that Scott Menaged proved  
18 himself to Denny and became a part of the group of people  
19 that Denny trusted?

20          MR. STURR: Form and foundation.

21          MR. ZIMMERMAN: Join.

22          THE WITNESS: I think -- I think based on what I  
23 know now, through the letters and all the stuff that we  
24 have seen, that that seems to be the case. I don't know  
25 that, but that's what it seems.

PAUL KENT, 3/19/2019

1 Q. Were you surprised at Denny's reaction to the  
2 issues that came up with Scott Menaged?

3 MR. STURR: Form.

4 THE WITNESS: Reactions being which?

5 Q. How Denny responded to all of, you know,  
6 everything that you understand about -- about the steps  
7 that Denny took and how he responded to learning of the  
8 issues relating to Scott Menaged.

9 MR. STURR: Form and foundation.

10 MR. ZIMMERMAN: Join.

11 THE WITNESS: I'm surprised that at some point  
12 Denny didn't disclose, through DenSco or however, the risk  
13 that was there. But I think also that the investor group  
14 I feel would have trusted him to work out and figure out  
15 how to get out of any situation. So I'm disappointed that  
16 he didn't allow us to give him that opportunity.

17 Q. We are going to look at, you can put these ones  
18 aside, and we are going to look at a document that's  
19 already been marked No. 623.

20 A. Okay.

21 Q. And this is just an example of one of the more  
22 normal communications --

23 A. Uh-huh.

24 Q. -- from the receiver.

25 A. Yes.

PAUL KENT, 3/19/2019

1 Q. And if you will mark the next one. It ends in  
2 2678.

3 (Deposition Exhibit No. 800 was marked for  
4 identification.)

5 Q. So Exhibit 800 is the Proof of Claim you  
6 submitted. Is that accurate?

7 A. Yes.

8 Q. And is that your signature?

9 A. Yes.

10 Q. And you filed a claim for \$144,413?

11 A. Yes.

12 Q. And you arrived at that total by taking the  
13 total principal invested of 380,000?

14 A. Okay.

15 Q. Does that total sound correct to you still?

16 A. Yes.

17 Q. And you added a little over \$41,000 in unpaid  
18 accrued interest through 2012?

19 A. Yes.

20 Q. And then you subtracted 170,000 in total  
21 principal withdrawn?

22 A. Yes.

23 Q. And then you subtracted \$107,333 in interest  
24 paid after January 1st, 2013, is that right?

25 A. Yes.

PAUL KENT, 3/19/2019

1 Q. And do you believe these figures are still  
2 accurate?

3 A. I believe so.

4 Q. And the receiver, if you want to look just to  
5 confirm, that the receiver in the Exhibit 623 approved  
6 your claim with some minor changes to rounding?

7 A. Yes.

8 Q. Is that your understanding?

9 A. Yes.

10 Q. And why did you -- do you know why you  
11 subtracted out the interest earned after January 1st,  
12 2013?

13 A. My understanding was that the interest paid to  
14 us after the insolvency of DenSco should be treated as  
15 return of capital versus interest.

16 Q. Okay. And do you know why that is?

17 A. No.

18 Q. And do you have any understanding of whether  
19 DenSco was insolvent as of January 1st, 2013?

20 A. Just the analysis that the receiver did, which  
21 seemed very thorough.

22 Q. If you will take the next document. It is  
23 already marked Exhibit 615, and then it's actually got a  
24 couple others with it, 614 and 618. These are examples of  
25 communications from the receiver to refresh your memory.

PAUL KENT, 3/19/2019

1 A. Okay.

2 Q. If you will take a look, and then let me know if  
3 you followed the receiver's efforts to recover funds for  
4 the investors.

5 A. Okay.

6 Q. Did you review these emails when you received  
7 them?

8 A. Yeah.

9 Q. Did you review all of the emails that the  
10 receiver sent?

11 A. I would say yes.

12 Q. A fairly quick review?

13 A. Yes.

14 Q. Did you go to the receiver's website?

15 A. Yes.

16 Q. Were you looking for something specific there or  
17 were you just getting an update?

18 A. Just looking for updates, you know, in terms of  
19 the -- what possible recoveries there might be, that kind  
20 of thing.

21 Q. Did you review the receiver status reports?

22 A. Status reports. I have reviewed like the --  
23 they sent out a larger letter, I think they physically  
24 sent one, but then I think they emailed a few status  
25 reports.

PAUL KENT, 3/19/2019

1 Q. Uh-huh.

2 A. So I think I have looked at them that way.

3 Q. Okay.

4 A. It's possible that I looked on the website also.

5 Q. And did you talk directly with the receiver?

6 A. I don't believe so. I believe I talked to Sara  
7 Beretta about I had to help my mom, who lives in  
8 New Jersey, submit her claim, and I had maybe some  
9 questions about how to -- I don't know. Maybe I needed an  
10 address. I can't remember exactly, but --

11 Q. More administrative questions --

12 A. Yes.

13 Q. -- regarding submitting a proof of claim?

14 A. Yes.

15 Q. And you did not talk to the receiver or anyone  
16 at the receiver's office regarding this lawsuit against  
17 David Beauchamp?

18 A. No.

19 Q. And have you ever talked to the receiver's  
20 lawyer, Ryan Anderson?

21 A. There was an investor meeting somewhere in  
22 Phoenix, and I don't believe I asked any questions, but it  
23 is possible I said hello to him or I believe Ryan Anderson  
24 was there. I think Peter Davis was there, I think, and  
25 maybe Sara. They gave a presentation and that's all.

PAUL KENT, 3/19/2019

1 Q. What do you remember about that meeting?

2 A. It was basically kind of going over the initial  
3 findings of sort of the first fraud, the second fraud,  
4 those scenarios.

5 Q. Do you remember anything about David Beauchamp  
6 from that meeting?

7 A. No.

8 Q. Do you think that the claims against David  
9 Beauchamp were addressed at all during the meeting?

10 A. I don't really know what the claims are.

11 Q. But you don't remember any discussion?

12 A. I think there was -- there is kind of the loans  
13 that were out there, the other companies that Menaged  
14 owned. He was -- he was kind of going through, well, this  
15 is where we have some possible recoveries. We can -- you  
16 know, we have the loans that are outstanding that we need  
17 to bring in as they mature. We have the stuff we can get  
18 from Menaged maybe. We have possible professional  
19 recourse against other -- other entities --

20 Q. Uh-huh.

21 A. -- that didn't do whatever they were supposed  
22 to. Those are my words. Not his.

23 Q. Uh-huh.

24 A. So that was -- the immediacy was about the  
25 loans, because it seemed like the other stuff, it didn't

PAUL KENT, 3/19/2019

1 matter if it happened that day or a year from then,  
2 because it would be there, you know, like -- but if you  
3 don't follow up on the loans and try and lock down  
4 Menaged, those were the primary things to do  
5 timeline-wise.

6 Q. Do you remember anything else about the possible  
7 recourse relating to professional services provided by  
8 others?

9 A. No.

10 Q. And if you will take a look at the next two  
11 documents on this pile, one of them needs to be marked,  
12 and the other is marked Exhibit No. 536 already.

13 (Deposition Exhibit No. 801 was marked for  
14 identification.)

15 Q. And if you look at page 5 on Exhibit 801, it  
16 shows, I believe, a payment to you --

17 A. Yes.

18 Q. -- or your trust of a little over \$20,000.  
19 20,665.83.

20 A. Yes.

21 Q. Did you receive that payment?

22 A. Yes.

23 Q. And do you know if your mom, Mary, received the  
24 payment of a little over 36,000 on the previous page?

25 A. Yes.

PAUL KENT, 3/19/2019

1 Q. And on the next document, 536, on page 5, did  
2 you receive the \$11,481 payment?

3 A. Yes.

4 Q. And do you know if your mom received the \$20,000  
5 payment?

6 A. Yes.

7 Q. Do you know if you received any other payments  
8 beyond these reflected here?

9 A. No.

10 Q. And you did not return any money to the  
11 receiver, correct?

12 A. No.

13 Q. And do you know any other information regarding  
14 additional claims that the receiver or the investors plan  
15 to bring?

16 A. No.

17 Q. Do you know if there are other entities that  
18 still potentially may be sued?

19 A. No.

20 Q. Give me one minute. We might be done.

21 A. Sure.

22 Q. That's it for now. Mr. Sturr may have some  
23 questions for you.

24 A. Okay.

25

## EXAMINATION

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Q. (BY MR. STURR) Paul, you can sit right there. We met earlier. I'm Geoff Sturr. I represent the receiver. I have got a few questions for you.

Would you pull from the pile that you have in front of you Exhibit 785 and 787.

A. 785. Okay.

Q. Thank you. Let's start with 787, if we could.

This is -- you have testified this is an email that you and other investors received in July of 2011. Is that right?

A. Yes.

Q. If you look at the email from Denny to the investors in the third paragraph, the one that says "I update this memorandum every two years," do you see that?

A. Uh-huh. Yes.

Q. And he wrote: I work with David Beauchamp (securities attorney) to review all statues -- it's misspelled -- and laws in Arizona as it pertains to my business and all the states I have investors in. This is to ensure that I'm filing it all the forms and following all the rules that legislators like to change from time to time.

The question I have for you is, in the time when

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1 you were working with Denny at Insight and in your  
2 friendship and involvement with him afterwards, did you  
3 ever have enough experience with him to form an opinion as  
4 to whether Denny was the kind of person that would follow  
5 rules and do what was legally required as opposed to what  
6 was illegal?

7 MS. TOLMAN: Object to form and foundation.

8 THE WITNESS: I would have never thought that  
9 Denny would do anything illegal. I would say that he  
10 worked with a lot of professionals that would give, you  
11 know, opinions and thoughts in his work. And my  
12 experience with him, from a work perspective, was that he  
13 would take all that into account, and of course if he was  
14 responsible to make the decision, he would make the  
15 decision, but generally he would take professionals'  
16 advice into consideration.

17 Q. If you could turn in this document to page 36.  
18 At the top of that page is a section marked Prior  
19 Performance.

20 A. Yes.

21 MS. TOLMAN: I'm sorry. What page are you on?

22 MR. STURR: I'm sorry, page 36 of the document.

23 MS. TOLMAN: Oh.

24 MR. STURR: The Bates page, Shelley, is  
25 page 5198.

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1 MS. TOLMAN: Thank you.

2 Q. There is a heading at the top that says Prior  
3 Performance. If you look at the next couple of pages, the  
4 next page over, there is a chart showing performance and  
5 things like that.

6 Does this refresh your memory? Is this  
7 something you might have looked at when you were looking  
8 through one of the private offering memoranda?

9 A. Yeah. Yeah. I like spreadsheets.

10 Q. And --

11 A. Yes.

12 Q. -- was it important for you to know how the  
13 company had performed in the past when you were deciding  
14 whether to renew or roll over any investments?

15 MS. TOLMAN: Object to form.

16 THE WITNESS: For me personally, I think that  
17 this type of information gave me comfort, but really, you  
18 know, based on my relationship with Denny and my  
19 experience with him, it's really more of the impetus, at  
20 least for me.

21 Q. And on that same page you are looking at,  
22 page 37 of the document, right above the chart, there is a  
23 sentence that says: All real estate loans funded by the  
24 Company have been and are intended to be secured through  
25 first position trust deeds.

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1 Do you see that?

2 A. Yes.

3 Q. You testified earlier that that was an important  
4 consideration for you and you thought it was in the  
5 Private Offering Memorandum.

6 Is that the sentence you had in mind?

7 A. If that's the only sentence in this that says  
8 that, then yes.

9 Q. Well, there may be others, but that -- you did  
10 recall that there was a statement, you thought there was a  
11 statement in the Private Offering Memorandum that  
12 reflected that DenSco would be in first position on the  
13 loans it was making to borrowers?

14 MS. TOLMAN: Object to form.

15 THE WITNESS: Yes.

16 Q. Now, if you could look, Paul, at Exhibit 785.  
17 You can set that aside. This is the compilation of your  
18 initial investments and rollover notes.

19 A. Okay.

20 Q. If you could go to the page that's marked three  
21 pages or so in. The page is marked at the bottom 1145.

22 A. Okay. Yes.

23 Q. Are you there?

24 And that is the note of -- the date of that  
25 Subscription Agreement is November 7, 2013.

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1 Do you see that?

2 A. Yes.

3 Q. And as I understand it, this is a -- you had  
4 purchased a note two years earlier, it was coming up for  
5 expiration, and you are now filling out this Subscription  
6 Agreement to buy another note for two years.

7 Is that right?

8 A. Yes, I believe that's accurate.

9 Q. Now, I think you testified earlier, do you have  
10 a memory of, in 2013, of having any kind of conversation  
11 at all with Denny about this, this particular rollover?

12 A. No.

13 Q. Would it have been -- if there had been a  
14 Private Offering Memorandum that had been issued in 2013,  
15 the one we looked at earlier was 2011 --

16 A. Okay.

17 Q. -- if there were a new Private Offering  
18 Memorandum in 2013 and Denny had sent it to you, would you  
19 have looked at it or looked through it, do you think?

20 MS. TOLMAN: Object to form and foundation.

21 THE WITNESS: Yes. Anything that Denny sent to  
22 me or gave me, I would have looked at. As far as detail,  
23 I can't specify the level of detail, but I would have  
24 looked at it, kind of like I looked at the other -- the  
25 other ones, and...

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1 Q. You remember looking at the chart that was in  
2 Exhibit 387. You said you liked spreadsheets.

3 A. Yes.

4 Q. If you had received a chart in 2013 that showed  
5 that the company's loan portfolio had dramatically  
6 increased from the previous level of somewhere between 25  
7 and 30 million to 45 to 50 million, would that have been  
8 relevant to you in deciding whether to renew your  
9 investment?

10 MS. TOLMAN: Object to form.

11 THE WITNESS: Possibly. If I would have noticed  
12 it, I probably would have asked some questions of Denny,  
13 and depending on his answers, I probably wouldn't have  
14 gone ahead. But, I mean, it's speculation, so I don't  
15 know.

16 Q. And I'm not asking you to speculate.

17 A. Okay.

18 Q. If you had known in November of 2013, before you  
19 renewed your investment, would it have been material to  
20 you, would it have mattered to you if you were told that  
21 DenSco had been sued in June of 2013 in a lawsuit that  
22 alleged that DenSco was not in first position on one of  
23 its loans?

24 MS. TOLMAN: Object to form and foundation.

25 THE WITNESS: Yeah, I would have -- I probably

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1 would have asked questions about that and thought about  
2 that.

3 Q. And if you had been told in sometime before  
4 November of 2013 that a substantial number of DenSco's  
5 loans were not in first position because of loans made to  
6 companies controlled by Scott Menaged, would that have  
7 been a material consideration?

8 MS. TOLMAN: Object to form and foundation.

9 THE WITNESS: Provided I had noticed that,  
10 probably, yes.

11 Q. And I think you said earlier that if -- and I  
12 don't want to put words in your mouth, but I thought you  
13 were testifying, Paul, that if Denny had explained what  
14 was going on, the investor community might have, at least  
15 some investors, would have stood with him.

16 Did I understand you?

17 A. Yes. Especially with regard to the first and  
18 second position situation. I don't fully understand the  
19 scope of that, but I think if -- if Denny would have said  
20 to the investors: Hey, this happened. I apologize. This  
21 is how I'm going to get out of it. This is how we are  
22 going to work it out, I would say a substantial amount of  
23 investors would have been, like: Okay, great.

24 Q. At least for yourself, given your trust in  
25 Denny, your relationship, you would have -- you would have

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1 considered that and likely have stood by Denny if he had  
2 given you the information about what was going on?

3 MS. TOLMAN: Objection; form.

4 Q. Not knowing what the facts are, but --

5 A. Right.

6 MS. TOLMAN: Objection; form and foundation.

7 THE WITNESS: Without the specifics, it's hard  
8 to -- it's hard to answer something like that.

9 Q. The last question I have for you, and I don't  
10 need to pull up again, because I'm sorry we have to even  
11 talk about these issues, but when you read the investor  
12 letter that you received from Denny shortly after his  
13 death, did that ring true to you? Did that read as if  
14 Denny had written it?

15 MS. TOLMAN: Object to form.

16 THE WITNESS: Yes.

17 Q. And why do you say that?

18 A. Denny is not a great grammatacist, if that is a  
19 word. He is not a very good punctuator. He is not a very  
20 good speller. I'm certainly happy that he typed it,  
21 because otherwise we would never have been able to read  
22 it. So, you know, it definitely is in his email style or  
23 typing style.

24 Q. And is there any reason for you to doubt what he  
25 wrote, based on your knowledge and history, as to whether

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1 what he wrote was accurate and truthful?

2 MS. TOLMAN: Object to form and foundation.

3 THE WITNESS: Up until that moment, you know, I  
4 guess what I'm trying to -- what I'm trying to express  
5 here is that if -- if Denny had -- if I didn't know that  
6 Denny had died and I had gotten that from him, I would  
7 have thought that it would have been extremely accurate.

8 The fact that he died or killed himself because  
9 of the problems, you know, in the company and with Scott  
10 and so on, I -- you know, I can't -- obviously some of  
11 that is not true, because it's -- I don't think Denny is  
12 not at some fault, you know, for what happened. He should  
13 have disclosed to the investors the challenges that the  
14 company was having.

15 MR. STURR: Okay. That's all I have. Thank  
16 you.

17 MS. TOLMAN: Nothing further. Thank you.

18 So you have the opportunity to get a copy of the  
19 transcript and decide whether you would like to make any  
20 changes and then sign it, or you can waive reading and  
21 signing.

22 I'm sorry. You are here. I'll let you do this.

23 MR. ZIMMERMAN: We will read and sign. Yeah.  
24 We'll read and sign.

25 MS. TOLMAN: I apologize.

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MR. ZIMMERMAN: Thank you.

(11:55 a.m. )

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PAUL KENT

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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 is a true and correct transcript of all proceedings had upon the taking of said deposition, all done to the best of my skill and ability.

I CERTIFY that I am in no way related to any of the parties hereto nor am I in any way interested in the outcome hereof.

- 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).

<u>Kelly Sue Oglesby</u>	3/27/2019
Kelly Sue Oglesby	Date
Arizona Certified Reporter No. 50178	

I CERTIFY that JD Reporting, Inc. has complied with the ethical obligations in ACJA Sections 7-206(J)(1)(g)(1) and (6).

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