

CR-10-00757-PHX-ROS, June 7, 2012 (DeMore excerpt)

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA

1			
2			
3			
4			
5	United States of America,)	
6)	
7	Plaintiff,)	
8	vs.)	
9)	CR10-00757-PHX-ROS
10	James R. Parker,)	
11)	
12	Defendant.)	
13)	June 7, 2012
14)	
15)	
16)	
17)	
18)	
19)	
20)	

BEFORE: THE HONORABLE ROSLYN O. SILVER, CHIEF JUDGE
REPORTER'S EXCERPT TRANSCRIPT OF PROCEEDINGS

JURY TRIAL - Day 6
(Charles DeMore testimony)

Official Court Reporter:
Elaine Cropper, RDR, CRR, CCP
Sandra Day O'Connor U.S. Courthouse, Suite 312
401 West Washington Street, Spc. 35
Phoenix, Arizona 85003-2151
(602) 322-7249

Proceedings Reported by Stenographic Court Reporter
Transcript Prepared by Computer-Aided Transcription

CR-10-00757-PHX-ROS, June 7, 2012 (DeMore excerpt)

A P P E A R A N C E S

1
2 For the Government:

3 **PETER S. SEXTON, ESQ.**

4 **WALTER PERKEL, ESQ.**

5 U.S. Attorney's Office

6 40 North Central Avenue, Suite 1200

7 Phoenix, AZ 85004-4408

8 602.514.7500

9 For the Defendant:

10 **MICHAEL LOUIS MINNS, ESQ.**

11 **ASHLEY BLAIR ARNETT, ESQ.**

12 Minns Law Firm, P.L.C.

13 9119 S. Gessner, Suite 1

14 Houston, TX 77074

15 713.777.0772/(fax) 713.777.0453

CHARLES DEMORE - Direct

P R O C E E D I N G S

(The following excerpt was transcribed.)

MR. PERKEL: The government calls Mr. DeMore.

CHARLES DEMORE,

called as a witness herein by the Government, having been first 01:19:53
duly sworn or affirmed to testify to the truth, was examined
and testified as follows:

COURTROOM DEPUTY: State your name for the record,
spell your last name, please.

THE WITNESS: Huey DeMore, capital D, small E, 01:20:04
capital M-O-R-E.

COURTROOM DEPUTY: All right. Have a seat right over
here, please, sir.

DIRECT EXAMINATION

BY MR. PERKEL: 01:20:32

Q. Good afternoon, Mr. DeMore. Could you please introduce
yourself to the jury?

A. Huey DeMore.

Q. And, Mr. DeMore, do you sometimes go by the name Charles
DeMore, too? 01:20:42

A. Yes.

Q. What's your full name?

A. Charles Huey DeMore.

Q. And, Mr. DeMore, where are you from originally?

A. Phoenix. 01:20:51

CHARLES DEMORE - Direct

1 Q. And where did you grow up? 01:20:55
2 A. Grew up in Phoenix.
3 Q. Without telling us where you live, is that where you
4 currently reside now, Phoenix?
5 A. Yes. 01:21:02
6 Q. And what business are you a member of or part of?
7 A. Well, a half a dozen businesses I'm involved with.
8 Q. The company or the partnership called Universal
9 Properties, are you a partner of that as well?
10 A. Yes, I am. 01:21:23
11 Q. And is -- and that is actually a partnership between you
12 and Mr. Cave?
13 A. It is.
14 Q. Can you tell us, how did Universal Properties get started?
15 A. We started it probably maybe 20 years ago, 30 years ago. 01:21:39
16 Q. And what is the business of Universal Properties?
17 A. Well, we've done a lot of things. We used to build
18 houses. We built some buildings. We were in the farming
19 business, the restaurant business, the development business and
20 occasionally we loaned money. I shouldn't say we loaned money. 01:22:10
21 If we happened to have some that we're not using and somebody
22 wants to borrow, and it's a stellar arrangement, then we've
23 gotten involved in several deals that way. But not as a
24 business.
25 Q. Did, at some point, Universal Properties also -- I don't 01:22:44

United States District Court

CHARLES DEMORE - Direct

1 know if it's same company but did there come a point in time 01:22:48
2 previously that you were involved in the transport using
3 airline?

4 A. Yes.

5 Q. Are you a pilot, sir? 01:22:55

6 A. I am.

7 Q. And how -- and did you fly for that business, too?

8 A. I did.

9 Q. Do you still do that?

10 A. No. We're not in the airline business any more. 01:23:06

11 Q. I want to turn now to a point in time that Universal
12 Properties loaned money or invested maybe, invested money to
13 Mr. Parker and Sunlight Financial.

14 Do you recall those instances when Universal
15 Properties loaned money or invested? 01:23:34

16 A. Yes.

17 Q. And I wanted to direct your attention to the 2005 loan,
18 that's the loan with regards to the \$1.5 million. Did you have
19 conversations with Mr. Parker about the loan?

20 A. Originally I did. 01:24:05

21 Q. And what was the substance of those conversations? What
22 did you talk about?

23 A. Well, we were approached by a company that schedules loans
24 and they told us -- they asked us if we had any money available
25 and at that time we did. And they asked us if we would be 01:24:18

CHARLES DEMORE - Direct

1 interested in loaning money on a house. I said we would but he
2 could get it cheaper from a bank. And they said it belonged to
3 a trust and we would -- they would pay -- they would have to
4 pay a higher.

01:24:23

5 We really weren't in the money-loaning business but
6 it had to be a stellar deal and it had to be what we felt no
7 risk because we're not in that business. We're not in this
8 business to be fighting lawsuits and so forth. But anyway, we
9 wanted to know who we could talk to about it and she said we
10 could talk to Mr. Parker, that he represented somebody.

01:24:42

01:25:06

11 Q. Did there come a point in time that you, in fact, spoke to
12 Mr. Parker on the phone?

13 A. Yes.

14 Q. And were these conversations contemporaneous with the
15 loans themselves about the time that the agreements were being
16 negotiated?

01:25:20

17 A. Yes.

18 Q. Did you ever meet Mr. Parker in person?

19 A. I did.

20 Q. I know it's been a while since 2005 but do you see him in
21 the courtroom today?

01:25:31

22 A. I do.

23 Q. Is he the gentleman that is standing up?

24 A. He is.

25 Q. Let me -- let's go on. And during these telephone

01:25:44

United States District Court

CHARLES DEMORE - Direct

1 conversations, were there issues or a couple of sticking 01:25:49
2 points, especially with regards to the 2005 loan?
3 A. I don't know sticking points. Would you clear that up?
4 What do you mean?
5 Q. Well, during the process of negotiating the 2005 loan, 01:26:08
6 were there a number of issues that were raised during the
7 conversation?
8 A. Well, yes, there was one issue. We always wanted to get
9 the people that were borrowing the money to give us a personal
10 guarantee. We thought if we had a personal guarantee, that 01:26:23
11 they would be reluctant to walk away from the loan.
12 And we asked Mr. Parker if he would sign a personal
13 guarantee.
14 Q. And what did he tell you?
15 A. No. 01:26:41
16 Q. I would like to show you Exhibit 563, page two.
17 A. I'm sorry. There is one other thing. We wanted them to
18 give us a mortgage on the furniture as well.
19 Q. And did you talk to Mr. Parker about that?
20 A. I did. 01:27:17
21 Q. And what did he tell you?
22 A. That it wasn't his furniture and he couldn't do that and
23 wouldn't do that.
24 Q. When you had these conversations with Mr. Parker, it was
25 just you talking to Mr. Parker on the phone? 01:27:33

United States District Court

CHARLES DEMORE - Direct

1 A. I'm sorry? 01:27:35

2 Q. When you had these conversations with Mr. Parker, was it
3 just you and him on the phone?

4 A. Most probably. I don't know if Walter Cave was on the
5 line or not. Usually -- I mean, he could have been but I don't 01:27:49
6 recall.

7 Q. And the discussions about both the guarantee of payment,
8 getting a personal guarantee and discussions about the
9 furniture, those were with Mr. Parker?

10 A. Yes. 01:28:08

11 Q. Those discussions weren't with his daughter?

12 A. Well, he said that he was trying to help them or something
13 at that point. He said he didn't own the furniture and he
14 didn't own the property. So he couldn't if he wanted to and he
15 didn't want to, and that they wouldn't and that it wasn't his. 01:28:28

16 I can't remember -- I don't remember about -- later on whether
17 we learned it then or later that his daughter was the one that
18 was the head of the company or he told us that he was helping
19 her, that he would have to talk to her. I don't remember but
20 she was interjected into it at one point or another. 01:29:01

21 Q. Let me show you Exhibit 563, page two. If you see it on
22 the screen in front of you, is this the unconditional guarantee
23 of payment?

24 A. Yes.

25 Q. And is this what you asked Mr. James Parker and Jacqueline 01:29:21

CHARLES DEMORE - Direct

1 Parker to sign? 01:29:28

2 A. Right. Correct.

3 Q. Did there come a point in time during this process that

4 you learned that his daughter, Rachel Harris, was in

5 bankruptcy? 01:29:41

6 A. Yes.

7 Q. And was that of concern to Universal?

8 A. It was.

9 Q. And how come?

10 A. Well, we didn't understand the intricacies of a trust and 01:29:49

11 we were concerned -- we've heard, you know, a lot of horror

12 stories about trusts and bankruptcies and so forth. So not

13 being in the loan business ourselves, we were, you know, very

14 concerned. And not being experts in that field.

15 Q. During this process of negotiation, did you ever have a 01:30:24

16 chance to have -- meet Mr. Parker for lunch or a meal or dinner

17 at some point?

18 A. Yes.

19 Q. Can you tell the jury about that?

20 A. As I recall, we had lunch at a Chinese restaurant. 01:30:37

21 Q. And who was at the lunch?

22 A. You know, I can't remember. I think that -- I know

23 Mr. Parker was there and I think his wife was there at that

24 time. I can't remember if there were any more parties involved

25 or not. And Walter Cave, my partner, my business partner. 01:31:03

United States District Court

CHARLES DEMORE - Direct

1 Q. And at that lunch, did you discuss the \$1.5 million loan? 01:31:10
2 A. I think that was why we met with him, to, you know --
3 while we were doing our due diligence.
4 Q. And did you have a chance to meet him other than that
5 lunch? Did you have any other meals with him or dinners? 01:31:39
6 A. We went to dinner one night, my wife and I. I can't
7 remember if just I went or my wife and I went to dinner.
8 Q. And who was there?
9 A. I remember Jim Parker being there, but I can't remember if
10 there was anybody else or not. 01:32:02
11 Q. And was this part of the negotiation process of this loan,
12 the \$1.5 million loan?
13 A. Yes.
14 Q. Let me ask you, the loan, the previous loan which was a
15 \$355,000 loan, was there less negotiation for that loan than 01:32:21
16 the \$1.5 million loan?
17 A. Well, the fact that there would have been less concern,
18 you know, I'm sure that we didn't do as much due diligence
19 because the house was obviously worth, you know, \$350,000.
20 Q. In August of 2005 were you concerned about the \$1.5 01:32:50
21 million loan?
22 A. I was. It's a lot of money to us. My son Brian put in
23 \$500,000 and he's a special agent, like you guys are, and he
24 didn't have the money to lose. He just lucked out and sold a
25 house and he was moving to Europe and he happened to sell it at 01:33:16

United States District Court

CHARLES DEMORE - Direct

1 the right time and had that money, bought it at the right time 01:33:20
2 and sold it at the right time and lived in California.

3 So he had that and Blackie and I had the money so the
4 three of us decided we would loan it to Jim Parker's group or
5 whoever. 01:33:39

6 And we actually had another guy involved, Tom Lowell,
7 but he backed out. So that left three of us. So, yeah, we
8 were concerned, you know. That's a lot of money to us.

9 Q. And that's why you asked for that unconditional guarantee
10 of payment? 01:33:58

11 A. Right.

12 Q. Did you approach anybody else about that guarantee of
13 payment or just Mr. Parker and Mrs. Parker?

14 A. I don't know if his daughter was in on any of those
15 conversations. I just don't remember. I mean, you know, it's 01:34:13
16 been, what, ten years ago.

17 Q. Okay. And let's turn now -- in 2010 the loan was renewed.
18 Is that fair to say?

19 A. Yes.

20 Q. And why -- was it a new loan, a new cash disbursement, or 01:34:31
21 just the same terms?

22 A. The same terms I think primarily.

23 Q. And why was the -- why was the loan renewed?

24 A. Well, he had been stellar in the way he made his payments,
25 you know, and we could see interest rates were coming down and 01:34:52

CHARLES DEMORE - Cross

1 Brian was going to Brussels to be the new attaché and he was 01:34:58
2 making plans to do it. And so we thought, you know, it was
3 probably a good time if we could extend the note. I think that
4 it was at our request or urging that we extend the note and he
5 agreed to it. 01:35:25

6 MR. PERKEL: Okay. Your Honor, if I could have one
7 moment, please.

8 THE COURT: Yes.

9 MR. PERKEL: Your Honor, I have no further questions.

10 THE COURT: All right, sir. 01:35:51

11 Cross?

12 MR. MINNS: Yes. Thank you, Your Honor.

13 **CROSS - EXAMINATION**

14 BY MR. MINNS:

15 Q. Good afternoon, Mr. DeMore. 01:36:03

16 A. Good afternoon.

17 Q. We got to meet for about 30, 45 seconds out in the hallway
18 when you were waiting?

19 A. Right.

20 Q. I am Michael Minns and I represent Jim. 01:36:13

21 MR. MINNS: First of all, Your Honor, may I have
22 permission to show Government Exhibit 384, the front page and
23 then the last page?

24 THE COURT: Yes.

25

CHARLES DEMORE - Cross

1 BY MR. MINNS: 01:36:32

2 Q. I'm putting on the screen the front page of the first
3 amended and restated promissory note secured by a deed of trust
4 and then I'm going to turn to the last page. That is the
5 signature page securing the real estate for the loan. 01:36:54

6 Can you tell the jurors who legally you were dealing
7 with, the owner of Sunlight Financial and the home?

8 A. Signed by Rachel T. Harris, general partner.

9 Q. And you testified about the trust. Is it a fact that
10 trusts generally have to pay higher interest rates than
11 individuals? 01:37:31

12 A. That's my understanding because it's difficult -- banks or
13 lending institutions, in general, don't like to loan money to
14 trusts or won't loan money to trusts.

15 Q. So since this was owned by a trust, it created -- and
16 since it had very good collateral, it created an opportunity. 01:37:48

17 A. Yes.

18 Q. Are you familiar with Jim Parker's reputation for truth
19 and honesty?

20 MR. PERKEL: Objection, Your Honor. Foundation. 01:38:08

21 THE COURT: Well, he can answer that yes or no. I'm
22 not sure I will allow anything beyond that.

23 THE WITNESS: Okay. Can I ask you to ask the
24 question again?

25 MR. MINNS: Yes. 01:38:20

CHARLES DEMORE - Cross

1 BY MR. MINNS: 01:38:21

2 Q. Thank you, sir. Are you familiar with Jim Parker's
3 reputation for truth and honesty?

4 A. Well, from the time I knew him --

5 THE COURT: Well, you just answer that yes or no. 01:38:29

6 Are you familiar with his reputation, yes or no?

7 THE WITNESS: Yes.

8 MR. MINNS: Yes.

9 THE COURT: All right. Counsel, let's talk to the
10 sidebar. 01:38:41

11 (At sidebar.)

12 THE COURT: Okay. Do you have an objection to his
13 giving his opinion on the reputation?

14 MR. PERKEL: I think he needs to lay the foundation
15 as to how he knows and what community he's talking about. 01:39:03

16 THE COURT: Okay. So that's your only objection?
17 Otherwise, you'll allow him to testify to his reputation for
18 truth and honesty?

19 MR. PERKEL: Can I have one moment, Your Honor?

20 THE COURT: Yes. 01:39:17

21 MR. SEXTON: If he lays the foundation and he has
22 dealings in the community and that foundation is laid, we would
23 have no objection.

24 THE COURT: All right. Okay. Because, generally, he
25 hasn't been -- he hasn't testified yet; but if you have no 01:39:31

CHARLES DEMORE - Cross

1 objection, let's have it. 01:39:37

2 (End sidebar.)

3 MR. MINNS: May I proceed, Your Honor?

4 THE COURT: Yes.

5 BY MR. MINNS: 01:39:50

6 Q. And what is his reputation for truth and honesty?

7 THE COURT: Well, we need some foundation first.

8 BY MR. MINNS:

9 Q. In the communities in which you work and in the community
10 in which you have had business dealings with Jim Parker, what 01:39:59
11 is his reputation for truth and honesty?

12 MR. PERKEL: Objection. There's lack of foundation.

13 THE COURT: In his community, he's already given the
14 background so --

15 MR. PERKEL: He hasn't laid the foundation in the 01:40:19
16 community.

17 THE COURT: Okay. What community -- ask him what
18 community you're talking about since the United States
19 government is not going to have an objection to his testifying
20 to his reputation as long as the community is established. 01:40:37

21 Did I understand that, Counsel?

22 MR. PERKEL: Yes, Your Honor.

23 BY MR. MINNS:

24 Q. In the business community where you and Jim Parker have
25 done business and the same community where you've done business 01:40:55

United States District Court

CHARLES DEMORE - Cross

1 with his daughter, Rachel, and your partner in the community
2 where your partner has done business with him, what is Jim
3 Parker's reputation in that community?

01:40:59

4 MR. PERKEL: Objection again, Your Honor.
5 Foundation.

01:41:15

6 THE COURT: Overruled.

7 THE WITNESS: The loan company that brought this
8 arrangement or deal to us stated that he had loaned -- that
9 they had loaned money to him --

10 MR. PERKEL: Objection, Your Honor. Hearsay.

01:41:34

11 THE COURT: Well, that is, essentially, the
12 foundation you're looking for. So I'm going to allow him as
13 long as you continue -- you have no objection, then he can set
14 forth what the nature of it is, and I'm going to allow that.
15 Your objection has not been to the answer to the question so
16 overruled.

01:41:56

17 You may continue.

18 THE WITNESS: Okay. Do you want to ask the question
19 again?

20 BY MR. MINNS:

01:42:09

21 Q. Yes, sir. In the community, and this community can
22 include the people that referred him to you in which you and
23 Jim Parker and Rachel Parker and the others do business, what
24 is Jim Parker's reputation for truth and honesty?

25 A. Well, they stated that he had done business with them

01:42:27

CHARLES DEMORE - Cross

1 before and that he had been a stellar client. He paid his
2 bills on time.

01:42:32

3 With that -- we had worked with them before so, you
4 know, that and all of our other due diligence, we went ahead
5 and loaned him the money.

01:42:56

6 Q. Thank you, sir.

7 MR. MINNS: Your Honor, I pass the witness.

8 THE COURT: Thank you.

9 MR. PERKEL: No more questions, Your Honor.

10 THE COURT: You may step down.

01:43:06

11 (Witness excused.)

12 (End of excerpted portion.)

13 * * * * *

14

15

16

17

18

19

20

21

22

23

24

25

CHARLES DEMORE - Cross

C E R T I F I C A T E

01:43:07

I, ELAINE M. CROPPER, do hereby certify that I am
duly appointed and qualified to act as Official Court Reporter
for the United States District Court for the District of
Arizona.

01:43:07

I FURTHER CERTIFY that the foregoing pages constitute
a full, true, and accurate transcript of all of that portion of
the proceedings contained herein, had in the above-entitled
cause on the date specified therein, and that said transcript
was prepared under my direction and control, and to the best of
my ability.

01:43:07

DATED at Phoenix, Arizona, this 12th day of June,
2012.

01:43:07

s/Elaine M. Cropper

01:43:07

Elaine M. Cropper, RDR, CRR, CCP

United States District Court