

For Immediate Release – August 12, 2019

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Clifford E. Riedel
District Attorney
Larimer & Jackson Counties

August 12, 2018

On August 9th, 2019, the Larimer County Grand Jury returned a five-count criminal indictment against Benjamin Eugene Davenport, Kirk Adam Smith and Gabriel D. Halsmer. The indictments allege that Benjamin Eugene Davenport and Kirk Adam Smith committed Theft, Conspiracy to Commit Theft, Securities Fraud, Conspiracy to Commit Securities Fraud and Violations of Bail Bond Conditions. The indictment also alleges that Gabriel D. Halsmer committed Theft, Conspiracy to Commit Theft, Securities Fraud and Conspiracy to Commit the Crime of Securities Fraud. The charges against these individuals concern a Fort Collins based company named VRsenal, Inc. The indictments and booking photos of the three individuals are attached.

Each defendant was taken into custody and has subsequently been released on bond. The next court appearances for these individuals are August 13, 2019 at 8:30 in courtroom 3A.

The criminal indictments were the culmination of roughly a five-month investigation conducted by the Larimer County Sheriff's Office, the Colorado Department of Revenue, and the District Attorney's office.

Anyone with additional information concerning the above matter can contact Investigator Jacki Hurley with the Larimer County Sheriff's Department at (970) 498-5166.

The charges in the criminal indictments are only an accusation and all defendants are presumed innocent until, and unless, proven guilty in court.

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DISTRICT COURT; LARIMER COUNTY, COLORADO 201 La Porte Avenue Fort Collins, CO 80521-2761 (970) 498-6100	DATE FILED: August 9, 2019 COURT USE ONLY 19CR2008
Plaintiff: THE PEOPLE OF THE STATE OF COLORADO Defendants: Benjamin Eugene Davenport Kirk Adam Smith Gabriel D. Halsmer	Case Number: Grand Jury No.: 19CR1 Div.: Ctrm:3A
INDICTMENT	

COUNT 1: THEFT, 18-4-401(1),(2)(J), C.R.S. (F2) <08A17>

-Benjamin Eugene Davenport, Kirk Adam Smith, Gabriel D. Halsmer

COUNT 2: SECURITIES FRAUD - UNTRUE STATEMENT OR OMISSION, 11-51-501(1)(b), C.R.S. (F3) <50052>

-Benjamin Eugene Davenport, Kirk Adam Smith, Gabriel D. Halsmer

COUNT 3: CONSPIRACY TO COMMIT THEFT, 18-4-401(1),(2)(i);18-2-201, C.R.S. (F3) <08A16C>

-Benjamin Eugene Davenport, Kirk Adam Smith, Gabriel D. Halsmer

COUNT 4: CONSPIRACY TO COMMIT SECURITIES FRAUD, 11-51-501(1)(b);18-2-201, C.R.S. (F4) <08A16C>

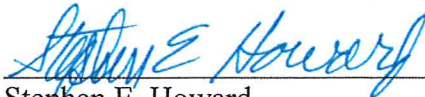
-Benjamin Eugene Davenport, Kirk Adam Smith, Gabriel D. Halsmer

COUNT 5: VIOLATION OF BAIL BOND CONDITIONS, 18-8-212(1), C.R.S. (F6) <23142>

-Benjamin Eugene Davenport, Kirk Adam Smith

The Grand Jury presents the within Indictment and the same is ordered filed.

Dated this 9th day of August, 2019.



 Stephen E. Howard
 Presiding Judge
 Larimer County District Court

COUNT ONE

THEFT -- \$1,000,000 OR MORE, C.R.S. 18-4-401(1),(2)(J) (F2) <08A17>

Between and including November 1, 2017 and September 30, 2018, Benjamin Eugene Davenport, Kirk Adam Smith and Gabriel D. Halsmer unlawfully, feloniously, and knowingly obtained or exercised control over a thing of value, namely: money, of Juan Jose Rendon d/b/a JJ Entertainment World, Inc. with the value of one million dollars or more, without authorization, or by threat or deception, and intended to deprive JJ Entertainment World, Inc. permanently of its use or benefit and knowingly used, concealed, or abandoned the thing of value in such manner as to permanently deprive Juan Jose Rendon d/b/a JJ Entertainment World, Inc. of its use or benefit; in violation of section 18-4-401(1),(2)(j), C.R.S.

COUNT TWO

SECURITIES FRAUD -- UNTRUE STATEMENT OR OMISSION, C.R.S. 11-51-501(1)(B) (F3) <50052>

Between and including September 1, 2017 and March 14, 2019, Benjamin Eugene Davenport, Kirk Adam Smith and Gabriel D. Halsmer, in connection with the offer, sale, or purchase of a security, namely: investment contract, promissory note, evidence of indebtedness and stock, directly or indirectly, unlawfully, feloniously, and willfully made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; in violation of sections 11-51-501(1)(b) and 11-51-603(1), C.R.S.

COUNT THREE

CONSPIRACY TO COMMIT THEFT, 18-4-401(1),(2)(J); 18-2-201, C.R.S. (F3) <08A17C>

Between and including November 1, 2017 to March 14, 2019, Benjamin Eugene Davenport, Kirk Adam Smith and Gabriel D. Halsmer, with the intent to promote or facilitate the commission of the crime of Theft -- \$1,000,000 or More, unlawfully and feloniously agreed with each other, and a person or persons to the Grand Jury unknown that one or more of them would engage in conduct which constituted that crime or an attempt to commit that crime, or agreed to aid the other person or persons in the planning or commission or attempted commission of that crime, and an overt act in pursuance of the conspiracy was committed by one or more of the conspirators; in violation of sections 18-4-401(1),(2)(j) and 18-2-201, C.R.S.

COUNT FOUR

CONSPIRACY TO COMMIT SECURITIES FRAUD -- UNTRUE STATEMENT OR OMISSION, C.R.S. 11-51-501(1)(B); 18-2-201, C.R.S. (F4) <50052C>

Between and including September 1, 2017 to March 14, 2019, Benjamin Eugene Davenport, Kirk Adam Smith and Gabriel D. Halsmer, with the intent to promote or facilitate the commission of the crime of Securities Fraud -- Untrue Statement or Omission, unlawfully and feloniously agreed with each other, and a person or persons to the Grand Jury unknown that one or more of them would engage in conduct which constituted that crime or an attempt to commit that crime, or agreed to aid the other person or persons in the planning or commission or attempted commission of that crime, and an overt act in pursuance of the conspiracy was committed by one or more of the conspirators; in violation of sections C.R.S. 11-51-501(1)(b) and 18-2-201, C.R.S.

COUNT FIVE

VIOLATION OF BAIL BOND CONDITIONS, C.R.S. 18-8-212(1), (F6) <23142>

Between and including July 30, 2018 and March 14, 2019, Benjamin Eugene Davenport and Kirk Adam Smith, having been released on bail bond, in Larimer County case number D0352018CR001915 (Davenport) and D0352018CR001921 (Smith) in which they were accused by indictment of the commission of various offenses including multiple counts of Violation of Colorado Organized Crime Control Act, C.R.S. 18-17-104(3), Theft, C.R.S. 18-4-401, Forgery, C.R.S. 18-5-102, Tax Evasion, C.R.S. 39-21-118(1), Filing a False Return, C.R.S. 39-21-118(4), Money Laundering, C.R.S. 18-5-309(1)(a)(II), and Conspiracy, C.R.S. 18-2-201, all felonies, arising from the conduct for which they were arrested, unlawfully, feloniously, and knowingly violated a condition of the bond; in violation of section 18-8-212(1), C.R.S.

The facts supporting all counts in this Indictment include the following.

1. Benjamin Eugene Davenport ("Davenport") is an individual who resides at 3416 West County Road 54G, Laporte, Colorado.

2. Kirk Adam Smith ("Smith") is an individual who resides at 745 South Summitview Drive, Fort Collins, Colorado.

3. Gabriel D. Halsmer ("Halsmer") is an individual who resides at 1631 Barnwood Dr., Fort Collins, CO 80525.

4. VRsenal, Inc. ("VRsenal") is a Delaware corporation that registered as a foreign corporation with the Secretary of State of Colorado on February 2, 2017. The person submitting that registration was Ben Davenport. The registration listed Kirk Smith as the registered agent of VRsenal. The street address of VRsenal listed on the registration, as well as the address of Smith as registered agent, is 1001-A E. Harmony Road, #516, Fort Collins, CO 80525.

5. There are other entities with the name VRsenal that are associated with Davenport and Smith. In May 2016, Smith filed Articles of Organization with the Colorado Secretary of State for VRsenal, LLC, a Colorado limited liability company with a street address of 2726 Wakonda Dr., Fort Collins, CO 80521 and a mailing address the same as VRsenal, Inc. On November 16, 2018, Smith organized VRsenal Distribution LLC, a Colorado limited liability company, naming himself as registered agent with a principal office address of 1301 Blue Spruce Dr, Fort Collins, CO. On April 9, 2019, Smith, on behalf of KB Enterprise LLC, a Colorado limited liability company formed by Smith in 2018 in Colorado, registered a trade or doing business as name of VRsenal with the Colorado Secretary of State.

6. Davenport is the co-founder and CEO (chief executive officer) of VRsenal. Smith is the co-founder and CFO/COO (chief financial officer/chief operating officer) of VRsenal. Halsmer is the CTO (chief technology officer) of VRsenal.

7. In approximately October 2017, the Larimer County Sheriff's Office, in conjunction with the Office of the District Attorney for the 8th Judicial District and the Colorado Department of Revenue, formally opened an investigation into the activities of Davenport and Smith, among others, in connection with their association with a company known as Blue Point Pellets, LLC and its affiliate, Blue Point Pellets, ApS, Denmark (together, "BPP"). That investigation resulted in an indictment returned July 25, 2018 against Davenport and Smith, among other persons. The indictment charged Davenport and Smith each with two counts of Violation of the Colorado Organized Crime Control Act ("COCCA"), two counts of Money Laundering, thirteen counts of Theft, nine counts of Forgery, two counts of Conspiracy to Commit Theft, one count of Conspiracy to Commit Forgery, one count of Tax Evasion, and one count of Filing a False tax return.

8. Davenport and Smith are presently charged with having used their positions as managers of BPP to misappropriate approximately \$2.5 million from BPP through a series of deceptive acts.

9. Davenport and Smith had been terminated by BPP in December 2015.

10. In approximately September 2017, Juan Jose (JJ) Rendon ("Rendon") contacted Davenport. Rendon contacted Davenport by email because Rendon was looking at opening a facility involving virtual reality technology. After doing research, Rendon found that Davenport, Smith and a person named Gabe Halsmer operated a company, VRsenal, that was involved in manufacturing and distribution of virtual reality technology and equipment.

11. Davenport responded within two days and told Rendon that VRsenal was developing a virtual reality game cube that had already been placed in malls and arcades. Davenport said VRsenal was willing to negotiate a representation agreement, an alliance "or something" with Rendon.

12. Throughout September and October, Rendon and/or his associates continued to discuss a virtual reality investment and venture with Davenport, Smith and Halsmer.

13. Between October 27 and November 6, 2017, Davenport, Smith and Halsmer met with Rendon in Florida to give a demonstration of VRsenal's technology and equipment. Davenport, Smith and Halsmer told Rendon they were "fundraising" for VRsenal and would not be able to do sales presentations without money.

14. On November 9, 2017, Davenport was interviewed by Larimer County Sheriff's Office investigators at which time Davenport was made aware he was under investigation for an alleged criminal act. Davenport later provided documents to the investigators regarding the inquiry. In a Bond Mitigation Memorandum, dated August 2, 2018, and filed by Davenport himself with the court in Larimer County Case Number 18CR1915 on August 6, 2018, Davenport states that he:

- a. First learned of the criminal investigation in November 2017;
- b. Voluntarily answered the investigator's questions for about three hours;
- c. First learned that there was an ongoing grand jury investigation in February or March of 2018; and
- d. Hired an attorney for representation pre-indictment in May 2018 (records indicate it was March 2018), and paid that attorney "tens of thousands of dollars;"
- e. Had liabilities that exceeded the value of his assets.

15. An interview of Kirk Smith at the Larimer County Sheriff's Office occurred on December 5, 2017. Smith told the Sheriff's investigators that "Davenport filled me in." In his Bond Mitigation Memorandum, dated July 31, 2018, and filed by Smith himself with the court in Larimer County Case Number 18CR1921 on August 6, 2018, Smith states that he:

- a. First learned of the criminal investigation in November 2017 when he was contacted by an investigator for the Larimer County Sheriff's Office;
- b. Voluntarily went to the Sheriff's Office and answered questions for about an hour;
- c. First learned that there was an ongoing grand jury investigation in February or March of 2018; and
- d. Hired an attorney for representation pre-indictment in March 2018, and paid that attorney "tens of thousands of dollars;"
- e. Had liabilities that exceeded the value of his assets

16. Throughout November 2017, Davenport, Smith and Halsmer continued to pursue a financial investment from Rendon, but told Rendon nothing about Davenport's and Smith's issues with BPP or the criminal investigation.

17. On November 25, 2017, Rendon received from Davenport, Smith and Halsmer a Letter of Intent ("LOI") for a stock investment in VRsenal. The LOI called for Rendon to make a \$3,000,000 investment in VRsenal in exchange for a "20% ownership equity (voting capital stock) in VRsenal" and agreements to form joint ventures for the sale and distribution of VRsenal's products to the military and internationally. The LOI called for the execution of "Definitive Agreements," including a Stock Purchase Agreement and Shareholder's Agreement. The LOI (like all other documents) identifies Davenport as CEO, Smith as CFO/COO, and Halsmer as CTO of VRsenal. The LOI was signed by Davenport, Smith and Halsmer for VRsenal. Unaware of the criminal investigation, Rendon signed the LOI for a company he later organized for the purpose of his investment in VRsenal, JJ Entertainment Center, Inc. ("JJ Entertainment

18. The LOI proposed a schedule of payments from Rendon as follows: \$50,000 when a demo kit arrived in Miami, Florida (Rendon's place of residence); \$250,000 upon completion of due diligence and signing of Definitive Agreements, defined to include a Stock Purchase Agreement for the purchase of 20% of the VRsenal voting capital stock, a Shareholders' Agreement,

Distribution Agreements between JJ Entertainment and VRsenal affiliates for distribution of products in Latin America and the military, and the creation of VRInnovations for the development of new projects and products; \$300,000 one month after signing of the Definitive Agreements, and then 10 equal installments of \$200,000 per month.

19. The LOI contemplated that Rendon would be a minority shareholder and would be allowed to appoint only one out of every five members of the board of directors. Thus, Mr. Rendon was to be a non-control investor in VRsenal.

20. After the LOI was signed, on November 27, 2017, VRsenal sent Rendon an invoice in the amount of \$50,000 for “down payment on investment.” November 30, 2017, Rendon paid \$50,000 to VRsenal. The money was wired into VRsenal’s JP Morgan Chase bank account in Fort Collins, Larimer County, Colorado. Prior to this payment, Davenport, Smith and Halsmer told Rendon nothing about the criminal investigation or any of the adverse information set forth below.

21. Davenport, Smith and Halsmer told Rendon the money was needed to purchase equipment, grow the business and pay payroll for employees – not compensation to the co-founders as Davenport, Smith and Halsmer said they would be compensated in stock. Of the \$50,000, approximately 47% of the funds was transferred to the co-founders, and another VRsenal investor – approximately \$17,000 to Primestone, a company owned by Davenport and Smith, \$1,400 to Halsmer, and \$3,000 to SLK Advantage, a prior investor in VRsenal.

22. From the date of the LOI through February 9, 2018, Davenport, Smith and Halsmer continued to promote a \$3 million investment from Rendon, in exchange for 20% of the stock in VRsenal, stating they needed the money for presentations, equipment purchases, and operating expenses.

23. Davenport, Smith, often with and in the presence of Halsmer, made the following material misrepresentations to Rendon:

- a. That they were successful businessmen.
- b. That they did not have significant debts and liabilities.
- c. Their business in Europe did well, but they had a disagreement with a partner and decided to go into their current business because of the opportunity. Smith and Davenport knew the Blue Point Pellet business in Denmark did poorly and was overbudget, causing the money investor to have to put in many times the original investment to keep the project going. In fact, Davenport and Smith were terminated from Blue Point Pellets in December 2015.
- d. When asked by Rendon if they had any contact with law enforcement, Davenport and Smith replied “no” which they knew was false because Davenport and Smith were aware they were under criminal investigation.

24. In addition, Davenport and Smith failed to disclose the following material information:

- a. That Davenport and Smith were being accused by their former partner at BPP of misappropriating funds from BPP through a variety of schemes, including creating a company to sell equipment to BPP, receiving through that company over \$1 million in payments, and disguising their ownership interest in that company from their partner and the other managers in BPP;
- b. That Davenport and Smith had met with investigators from the Larimer County Sheriff's Office and answered questions regarding the BPP criminal investigation;
- c. That Davenport and Smith needed "tens of thousands of dollars" to pay an attorney to assist them in the defense of the ongoing investigation;
- d. That each of Davenport's and Smith's liabilities exceeded the value of their assets;
- e. Davenport and Smith, through one of their jointly owned companies, had secretly received unauthorized commissions of approximately \$1.4 million on sales of equipment to BPP;
- f. In 2016, a company owned and operated by Davenport and Smith in Virginia, Eden Pellets, and an affiliated trucking company, Drahota Trucking had failed and were liquidated. Investors in those two companies, including Fort Collins residents Rex Stahla, Kent Obermann and Greg Yancey lost all or a substantial portion of their investments in those companies.

25. On or about February 8, 2018, Davenport, Smith and Halsmer presented Rendon with a document titled "Partners Agreement" by which Davenport, Smith and Halsmer continued to promote a stock investment in VRsenal through execution of Definitive Agreements, including a Stock Purchase Agreement and Shareholders Agreement. The Partners Agreement called for Rendon, in anticipation of the contemplated stock investment, to make a "Bridge Loan" of \$250,000 at 9% interest evidenced by a Promissory Note. Davenport, Smith and Halsmer agreed to guaranty the Bridge Loan, the proceeds of which they said were to be used for equipment and growing the business of VRsenal and were intended to be converted into the \$3 million stock investment when the Definitive Agreements were eventually signed.

26. On February 9, 2018, Rendon paid \$250,000 to VRsenal for the purpose of providing operating capital as requested by Davenport, Smith and Halsmer. Rendon received in return a Promissory Note to JJ Entertainment, with the makers listed as VRsenal, Davenport, Smith, and Halsmer. The Promissory Note calls for monthly payments in the amount of interest only and purports that the remaining unpaid principle balance and accrued interest to be due and payable on August 9, 2018. Neither VRsenal, Davenport, Smith or Halsmer made any payment towards this Promissory Note. Mr. Rendon's \$250,000 payment was made by wire transfer into the VRsenal Chase Bank Account in Fort Collins, Colorado. It was always the understanding of the parties that this investment loan would be rolled into to the stock purchase investment when, and if, the parties could agree on the Definitive Agreements.

27. Prior to the February 9 funding, Rendon was not made aware of the truth concerning the misrepresentations or told about the undisclosed material information, especially the ongoing criminal investigation of Davenport and Smith. Rendon was not told his funds would be used to pay a prior investor, the co-founders, employees, and a lender.

28. Of the \$250,000, approximately 43% of the funds was transferred to the co-founders, another VRsenal investor and to repay a loan – approximately \$82,000 to Primestone (Davenport and Smith), \$14,000 to Halsmer, \$6,600 to SLK Advantage, and \$13,000 to Kabbage Loan (apparently a small business lender).

29. After the February 9 payment, Davenport, Smith and Halsmer continued to press for investment funds from Rendon. Davenport, Smith and Halsmer were always in a hurry to get the stockpurchase and shareholder agreements signed, locking Rendon into a \$3 million investment in the stock of VRsenal. As the process for signing the Definitive Agreements dragged on, Davenport, Smith and Halsmer would ask Rendon for additional investment loans.

30. At the urging of Davenport, Smith and Halsmer, in advance of the solicited stock investment, and prior to the return of the indictment, JJ Rendon did make further payments to VRsenal as follows:

5/10/2018	\$59,983
5/31/2018	\$150,000
6/8/2018	\$100,000
7/5/2018	\$34,975
7/16/2018	\$300,000

31. Throughout this time period, Davenport, Smith and Halsmer continued to represent to Rendon that the funds would be used in the operations of VRsenal – for more equipment and growth. Rendon was not told that some of the funds would be used to fund the “tens of thousands of dollars” that needed to be paid to the attorney Davenport and Smith hired in March to represent them regarding the grand jury investigation. Davenport, Smith and Halsmer said nothing about using the money to pay the co-founders, and other lenders/investors. Of the \$644,958, approximately 55% of the funds was transferred to the co-founders, and a prior VRsenal investor – approximately \$270,000 to Primestone (directly and through other companies owned and controlled by Davenport and Smith), \$54,000 to Halsmer, \$22,000 in Davenport and Smith personal back tax payments, and \$31,000 to SLK Advantage, a prior investor in VRsenal. Of the \$270,000 transferred to Primestone, \$83,000 was paid to the attorney known to be representing Davenport and Smith regarding the grand jury investigation.

32. Some of the foregoing Rendon payments were represented by promissory notes from VRsenal, Davenport, Smith and Halsmer to JJ Entertainment. Rendon only retained a copy of the note dated July 16, 2018 signed by Davenport, Smith and Halsmer. The note is in the principal amount of \$945,000 reflecting the aggregate amount of investment loans to that date. The July 16 note states: “The Promissory Note dated February 8, 2018 and the Promissory Note dated May 3, 2018 and the Promissory Note dated May 14, 2018 shall both [sic] become void and terminated upon the signing of this Note.” The July 16 Note also states:

This Promissory Note shall be terminated upon the signing of the Shareholder Agreement that JJ Entertainment World and VRsenal are drafting currently with the intent to sign within the next 14 days for the investment of \$3,000,000 by JJ Entertainment World into VRsenal. The funds from this Promissory Note shall be applied as part of the \$3,000,000 investment from JJ Entertainment World, therefore satisfying VRsenal's obligations of this Promissory Note.

33. Each of the foregoing payments was by wire transfer and was made into the VRsenal Chase Bank Account in Fort Collins, CO. Prior to each of these payments, Davenport, Smith and Halsmer continued to portray VRsenal as doing well, if short on cash. At no time prior to any of these payments did Davenport, Smith or Halsmer provide to Rendon information regarding the claims being asserted by BPP, or any of the adverse information identified above and, in particular, the ongoing grand jury criminal investigation.

34. Smith, on behalf of VRsenal, Davenport, Smith and Halsmer, sent drafts of investment documents pertaining to the \$3 million stock investment in VRsenal to Rendon and his lawyers. These included a documented titled a) Points for Stockholder Agreement, which contained an outline of terms for the investment, including a bonus pool of stock available to Rendon in certain circumstances; b) a draft Shareholder Agreement; c) two stock purchase agreements (one for what had been invested and one for future investment) and d) a Representation Agreement. All the documents contemplated an investment by Rendon into VRsenal for a 20% equity interest in VRsenal. Davenport, Smith and Halsmer continued to be in a hurry to sign the Definitive Agreements locking in the stock investment, at one point even agreeing to increase Rendon's percentage of the stock if he closed quickly.

35. During the process of trying to finalize the agreement, attorneys for Rendon would insert provisions requiring budgets and increasing transparency as to the use of Rendon's money and Davenport, Smith and Halsmer would delete those provisions. Davenport, Smith and Halsmer would not agree to provide budgets or provide additional transparency as to the use of Rendon's money. They did tell Rendon that his money would be used to fill orders generating revenue for VRsenal. Davenport, Smith and Halsmer did not tell Rendon that the money would be used to pay Davenport, Smith and Halsmer, prior investors, lenders, employees, or pay attorneys for defending against the criminal action.

36. As stated, the BPP indictment charging Davenport and Smith was returned July 25, 2018. Davenport and Smith were arrested and received a copy of the indictment. None of Davenport, Smith or Halsmer told Rendon about the indictment or provided Rendon with a copy of the indictment.

37. After the indictment, Davenport, Smith and Halsmer continued to seek funding for VRsenal from Rendon. Unaware of the indictment or any of the adverse information regarding Davenport or Smith, or that Davenport, Smith and Halsmer had used Rendon's funds to pay for, among other things, personal attorney fees defending against the criminal investigation, on August 28, 2018, Rendon paid \$50,000 and, on September 17, 2018, paid \$156,000 to VRsenal, Davenport, Smith and Halsmer. Each of those payments was wired into the VRsenal Chase Bank account in Fort Collins CO.

38. The September 17, 2018 investment is associated with a final Promissory Note, dated September 18, 2018, from VRsenal, Davenport, Smith and Halsmer to JJ Entertainment. The Promissory Note calls for monthly payments in the amount of interest only and purports that the remaining unpaid principle balance and accrued interest to be due and payable on March 18, 2019, though no payments were ever made. The note contains language similar to the July 16 note that all previous promissory notes are terminated upon the signing of this note and that funds of the September 18 Note “shall be applied as part of the \$3,000,000 investment from JJ Entertainment World.”

39. Of the \$206,000 paid in August and September, approximately 40% of the funds was transferred to the co-founders, and another VRsenal investor – approximately \$62,000 to Primestone (Davenport and Smith), \$9,500 to Halsmer, and \$26,000 to SLK Advantage, the prior investor.

40. The total amount Rendon wired to VRsenal’s Colorado JP Morgan Chase bank account was \$1,150,958.

41. Although the original intent was for Rendon to roll his investment/bridge loans into a stock purchase and become a minority shareholder in VRsenal, the parties never came to an agreement upon terms of stockholder/shareholder agreement or the stock purchase agreement. By late October 2018, Rendon suspected that Davenport, Smith and Halsmer had not spent his funds on the development of VRsenal and, contrary to what they represented, paid themselves large sums from Rendon’s investment funds. Rendon declined to make further investment loans and demanded the return of his money plus interest pursuant to the Final Note. To date, Rendon has not received any money back from VRsenal, Davenport, Smith or Halsmer.

42. On March 14, 2019, JJ Entertainment filed a lawsuit in the Southern District of Florida against VRsenal, Davenport, Smith and Halsmer seeking a judgment for the amount of the September 18, 2018 note, plus interest, costs and attorneys’ fees. While preparing for filing the lawsuit, Rendon (through his lawyers) first became aware of the BPP criminal investigation and indictment.

43. VRsenal, Davenport, Smith and Halsmer responded to the lawsuit by moving to dismiss, claiming Rendon was in default on his commitment to make a \$3 million investment in VRsenal stock. In support of the motion to dismiss, Smith provided two verified statements under oath in which Smith states, several times, the money Rendon paid to VRsenal was part of an investment in the stock of VRsenal.

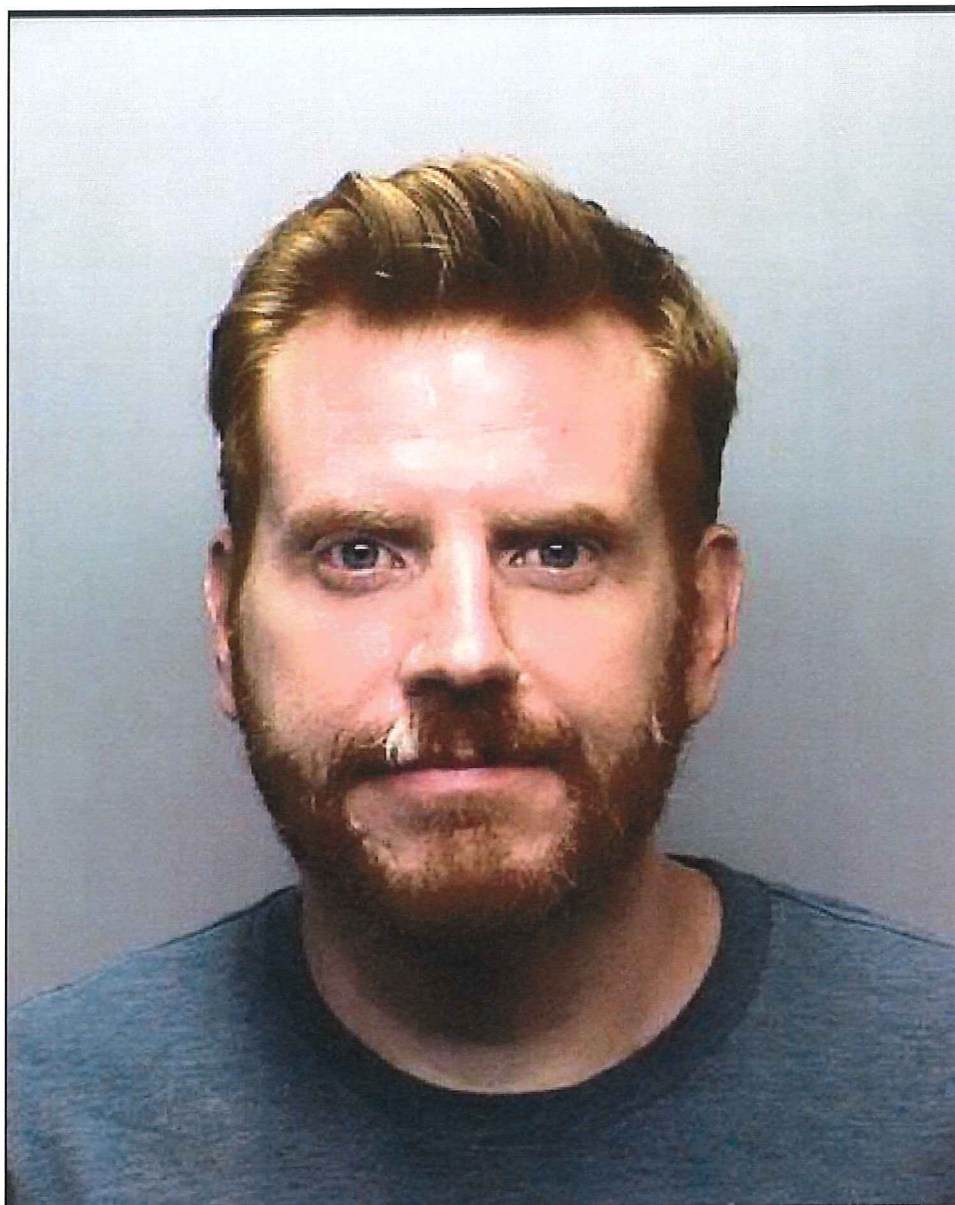
44. The scheme proposed by Davenport, Smith and Halsmer regarding the investment in VRsenal, as well as each of the investment loans and payments actually made by Rendon, constituted a “security” within the meaning of the Colorado Securities Act.

45. Had Rendon known the truth about any one or more of the above misrepresented facts, or any one or more of the undisclosed facts, he would not have invested money with Davenport, Smith and Halsmer. Each of those misrepresentations and omissions constituted material information within the meaning of the Colorado Securities Act.

46. Related to the Blue Point Pellets indictment dated July 25, 2018, warrants were issued for the arrest of Mr. Davenport and Mr. Smith. In each case a bail bond was set. Both Davenport and Smith posted their bonds and were released from custody after posting their bonds. On July 30, 2018, Mr. Davenport and Mr. Smith both signed an Appearance Bond acknowledging that, as a condition of bond, he “shall not commit a new felony while at liberty on bail.” Two of the payments made by Rendon in connection with the ongoing fraudulent offer of securities -- \$50,000 on August 30, 2018 and \$156,000 on September 18, 2018, were made while Mr. Davenport and Mr. Smith were on bond in the BPP case.



Benjamin Eugene Davenport



Kirk Adam Smith



Gabriel D. Halsmer