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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,

v.

U.S. Bank, NA, a national banking  
organization; Hilda H. Chavez and John  
Doe Chavez, a married couple; JP Morgan  
Chase Bank, N.A., a national banking  
organization; Samantha Nelson f/k/a  
Samantha Kumbalek and Kristofer  
Nelson, a married couple; and Vikram  
Dadlani and Jane Doe Dadlani, a married  
couple,

Defendants.

No. CV2019-011499

**PLAINTIFF'S COMBINED  
STATEMENT OF FACTS IN  
OPPOSITION TO DEFENDANTS'  
MOTIONS FOR SUMMARY  
JUDGMENT**

(Assigned to the Honorable  
Dewain D. Fox)

Pursuant to Rule 56(c)(3)(B)(ii) of the Arizona Rules of Civil Procedure, Peter S. Davis, as Receiver of DenSco Investment Corporation (“DenSco”), hereby submits his Combined Statement of Facts in response to the pending Motions for Summary Judgment filed by Defendants JP Morgan Chase Bank, N.A. (“Chase”); Samantha and Kristofer Nelson; and Vikram and Jane Doe Dadlani and their Combined Statement of Undisputed Material Facts. The Receiver’s Combined Statement establishes a genuine dispute or otherwise precludes summary judgment in favor of Defendants.<sup>1</sup>

**A. DenSco and Denny Chittick.**

1. In 2001, Denny Chittick founded DenSco, a hard-money lender. DenSco loaned monies at 18-percent interest to persons or entities purchasing properties at foreclosure sales to fix and flip for a profit. DenSco would secure its promissory notes through mortgages and/or deeds of trust. (Defendants’ Combined Statement of Facts (“SOF”) Exs. 11 (DenSco’s 2007 Private Offering Memorandum at 1 (company), 4 (business), 31 (prior performance), and 40 (description of securities)), 82 (DenSco’s 2011 Private Offering Memorandum).)

2. Foreclosure sales in Maricopa County took place at an auction at the Superior Court at 201 West Jefferson Street. A bidder needed to present a \$10,000 cashier’s check, payable to the bidder, for an immediate downpayment if the bidder won the property at auction. The bidder had 24 hours to deposit the remainder of the purchase price. (Deposition of Yomtov Scott Menaged, January 18, 2023, excerpts of which are attached hereto as Exhibit C (“Menaged Depo. Vol. 1”) at 10:6–17.

3. DenSco would obtain capital by offering unsecured general obligation notes at 11-percent interest to investors. (SOF Exs. 11, 82.)

4. DenSco was a one-man band owned and operated entirely by Chittick. (SOF Ex. 11 at 35 (management).)

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<sup>1</sup> The Receiver is filing concurrently a separate Controverting Statement of Facts, pursuant to Rule 56(c)(3)(B)(i), identifying which paragraphs in Defendants’ Statement are disputed and providing the factual bases for such dispute.

1           5.       Chittick tried to make the operations of the business simple. One way he  
2 simplified the process was to send monies directly to his borrowers, who in turn bought  
3 properties from the trustees at foreclosure sales. (SOF Exs. 15 (email from Chittick to  
4 Beauchamp, dated January 7, 2014), 22 (email from Chittick to Beauchamp, dated  
5 January 9, 2014).)

6           6.       Menaged, through his company Arizona Home Foreclosures (“AZHF”),  
7 was one of DenSco’s borrowers. Unbeknownst to Chittick, Menaged over time became  
8 a gambling addict and a con man. He is now incarcerated for separate fraud crimes in  
9 a federal penitentiary. (Menaged Depo. Vol. I at 15:25–16:24, Ex. C hereto.)

10          7.       On October 17, 2017, the federal government filed an information  
11 statement against Menaged to incorporate into Menaged’s prior indictment his crimes  
12 against DenSco and add money laundering to his charges. Also on October 17, 2017,  
13 Menaged pleaded guilty to Conspiracy to Commit Bank Fraud, Aggravated Identity  
14 Theft and Money Laundering Conspiracy. He agreed to pay \$34,000,000 to “all  
15 victims.” (Davis Decl. attached hereto as Ex. A and attachment 2 (Receiver’s Report  
16 to Court, Case No. CV2016-014142, Maricopa County Superior Court) at 7.)

17 **B.       Menaged’s First Fraud.**

18          8.       Initially, Menaged had a long, problem-free relationship with DenSco.  
19 (SOF Ex. 15)

20          9.       Menaged had borrowed money from DenSco since 2006 or 2007.  
21 Menaged had developed a friendly relationship with Chittick and had built a  
22 relationship of trust with him. (Menaged Depo. Vol. I at 19:21–20:6, Ex. C hereto.)

23          10.      In 2013, Menaged began taking loans from DenSco and a second hard-  
24 money lender to buy the same property (the “First Fraud”). For example, if he needed  
25 \$100,000 to buy a property, he would borrow \$100,000 from DenSco and \$100,000  
26 from another lender. He would use one of the loans to buy the property, but double-  
27 lien the property in favor of both DenSco and the other lender. As a result, Menaged  
28 received \$100,000 to spend as he wanted, including for gambling, lifestyle purchases,

1 and paying back old loans with new money. (Ex. A, Davis Decl. attachment 2 (Status  
2 Report of Receiver, dated December 23, 2016) at 7; SOF Ex. 15 at 7.)

3 11. That scheme came crashing down in November 2013 when another hard-  
4 money lender learned it was a victim of the scheme. In late November, Menaged told  
5 Chittick that his wife had cancer and that, as a result, he had left the day-to-day business  
6 to his cousin. He said that, distracted with the duties of caring for his wife, he only later  
7 discovered that his cousin had double-liened the properties, taking one of the loans for  
8 himself and escaping to Israel with the money. (*Id.* attachment 2 (Status Report of  
9 Receiver, dated December 23, 2016) at 8; SOF Exs. 15, 21 (Chittick's corporate diary  
10 for November 27, 2013).)

11 12. In early January 2014, one of the other hard-money lenders sent a letter  
12 to DenSco threatening to sue DenSco over the double-liened properties unless its lien  
13 was paid first. (SOF Ex. 26 (letter from Bryan Cave to Chittick, dated January 6,  
14 2014).)

15 13. Having placed the blame on his cousin, Menaged promised Chittick that  
16 he would develop a work-out plan. He would put more capital and his own profits back  
17 into the AZHF business to pay back DenSco and help it manage its way out of the  
18 shortfall. In terms of righting the ship, Chittick concluded the plan financially would  
19 work. Chittick went to Beauchamp, DenSco's lawyer at Clark Hill, for advice and to  
20 prepare a work-out agreement. (SOF Ex. 15.)

21 **C. Clark Hill.**

22 14. SOF Ex. 79 is a partial copy of the Receiver's April 12, 2019 Statement  
23 of Facts in Support of Motion for Determination that Plaintiff Has Made a Prima Facie  
24 Case for Punitive Damages [Against Clark Hill], filed in Case No. CV2017-013832.  
25 Under Rule 106 of the Arizona Rules of Evidence, the Receiver submits a full copy of  
26 the Statement, attached hereto as Exhibit L ("Clark Hill SOF").  
27  
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1           15. David Beauchamp is an attorney. He describes himself as practicing  
2 primarily in the areas of corporate law, securities, venture capital and private equity  
3 transactions. (Ex. L, Clark Hill SOF ¶ 8 and Ex. 4 (Beauchamp biography).)

4           16. Beauchamp started providing securities advice to DenSco in the early  
5 2000s, while he was a partner at the law firm of Gammage & Burnham. (Ex. L, Clark  
6 Hill SOF ¶ 9.)

7           17. DenSco followed Beauchamp as a client when he left Gammage &  
8 Burnham to join the law firm of Bryan Cave in March 2008, and again when Mr.  
9 Beauchamp left Bryan Cave to join Clark Hill in September 2013. (Ex. L, Clark Hill  
10 SOF ¶ 10.)

11           18. Beauchamp stated in his Rule 26.1 Disclosure Statement that his work for  
12 DenSco included drafting Private Offering Memoranda for distribution to investors of  
13 DenSco in compliance with law, advising on securities reporting requirements, and  
14 advising on lending procedures. (Ex. L, Clark Hill SOF ¶ 11.)

15           19. In a January 7, 2014 email, Chittick explained to Beauchamp that he  
16 loaned monies to Menaged in the past without problems. He stated that when  
17 Menaged's wife became ill with cancer, and Menaged was distracted, Menaged's  
18 cousin conducted the day-to-day business and committed the double-lien fraud. (SOF  
19 Ex. 15 at JPMC-Receiver\_0008617-19.)

20           20. Chittick would wire monies to his borrowers. He did this not only with  
21 Menaged, but with all of his borrowers. (*Id.*) Chittick had been lending to Menaged  
22 since 2007, and Chittick had never had a problem with him. (*Id.*)

23           21. When money was loaned, and property purchased, Menaged would sign  
24 a mortgage to DenSco that would "muddy up title," and Chittick would "record the  
25 DOT [Deed of Trust] after the trustee's deed to ensure my first position lien." (*Id.* at  
26 JPMC-Receiver\_0008618.)

27           22. Menaged told Chittick that, on properties for which DenSco was  
28 providing loans, his cousin would obtain a second loan on the property from another

1 hard-money lender. (*Id.* at JPMC-Receiver\_0008619-08620.) From the letter, it can  
2 be inferred that Chittick believed what Menaged was telling him.

3 23. Menaged and Chittick worked out a plan to fix the situation: “sell off the  
4 properties and pay off both liens with interest and make everyone whole.” (*Id.* at  
5 JPMC-Receiver\_0008619.) The details of the plan included Menaged’s bringing in  
6 additional funds and putting his profits back into payments. (*Id.* at JPMC-  
7 Receiver\_0008619–20.) From the letter, it can be inferred that Chittick believed this  
8 plan would work.

9 24. Chittick explained, “[I]’ve been over this plan 100 times and the numbers  
10 and I truly believe this is the right avenue to fix the problem. [W]e have been  
11 proceeding with this plan since November and we’ve already cleared up about 10% of  
12 the total \$’s in question.” (*Id.* at JPMC-Receiver\_0008620.)

13 25. Chittick disclosed the problem to Beauchamp, his lawyer, and set up a  
14 meeting to work through the issues. (*Id.* at JPMC-Receiver\_0008617–21.)

15 26. Among other things, Clark Hill should have advised Chittick to stop  
16 offering general obligation notes to investors, to update disclosures to the general note  
17 obligation investors, to stop doing business with Menaged, and to wind down the  
18 business. Keith Hendricks is a lawyer hired by Chase as an expert witness in this case.  
19 He agrees with the opinions of the Receiver’s experts in the Clark Hill case. He agrees  
20 with Mark Hiraide that Clark Hill and Beauchamp owed DenSco a duty of care but  
21 failed to meet the applicable standard of care. (See Keith Hendrick’s Expert Report at  
22 page 6, attached hereto as Ex. D). He also agrees with the opinions of Neil Wertlieb  
23 that Clark Hill and Beauchamp violated the standard of care by failing to recognize  
24 DenSco as a high-risk client in a highly regulated business, failing to conduct due  
25 diligence on Menaged or on DenSco’s funding procedure, failing to protect DenSco  
26 from Menaged, and failing to update the 2011 Private Offering Memorandum.  
27 (Hendricks expert report at page 7, Ex. D hereto.)  
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1           27. Another Chase expert is Mark Lee. Lee agrees with Wertlieb that Clark  
2 Hill and Beauchamp committed malpractice by, among other things, approving the  
3 continued sale of notes and advising DenSco to enter into a forbearance agreement.  
4 (SOF Ex. 14 at 12–15.)

5           28. Clark Hill negotiated a work-out agreement between DenSco and AZHF  
6 in which DenSco would continue lending money to Menaged. Menaged pledged to put  
7 more capital into the business and work out the debt caused by the double liens. (*Id.*;  
8 *see also* Chittick’s diary entries in paragraph 31 below.)

9           29. Clark Hill advised Chittick that he could continue to raise money from  
10 noteholders and delay notifying the noteholder investors while the forbearance  
11 agreement was worked out. Once the forbearance agreement was signed, Clark Hill  
12 said DenSco could delay longer. (Clark Hill SOF (Ex. L hereto) at ¶¶ 113 to 117, 153  
13 to 157; *see also* Chittick’s diary entries in paragraph 31 below.)

14           30. Chittick even asked Clark Hill about continuing to send money directly  
15 to Menaged, as he was protected by the copies of cashier’s checks and trust receipts  
16 that Menaged sent. Chittick believed Clark Hill approved the continuation of the  
17 process. (See diary entries of Denny Chittick in paragraph 31 below. (SOF Ex. 79 (full  
18 copy at paragraphs 213 to 217, Ex. L attached hereto); *see also* Chittick’s diary entries  
19 in paragraph 31 below.)

20           31. Chittick kept a corporate journal. In the journal, Chittick commented on  
21 Beauchamp’s advice:

- 22           · January 10, 2014: “at 5pm Dave called, said they would give us time to  
23 clean it up. I talked to [Menaged]; he is going to try to bring in money.  
24 I can raise money according to Dave.” (Ex. L, Clark Hill SOF, Ex. 82 at  
25 RECEIVER\_00045.)
- 26           · January 21, 2014: “We have a new idea. I payoff all the loans for [one  
27 group of lenders]. Then the overage I put on [another group’s] loans, then  
28 [Menaged] will pay off [that group’s] loans and he sells the house[;] I get

1 my money back and everyone is paid. We went over this on the phone  
2 for a hour[,] a ½ dozen emails. I emailed and call[e]d David, he  
3 approved.” (*Id.* at RECEIVER\_000046.)

4 . February 21, 2014: “I talked to Dave, he found out what we already  
5 suspected, there is no way we can give what [Menaged] wants. I’m not  
6 sure where this will lead us. We talked about telling my investors; we are  
7 going to put that off as long as possible so that we can improve the  
8 situation as much as possible. We’ve got another 15 more that are closing  
9 next few weeks. We could be close to under a 100 problem loans within  
10 a month. I just have to keep telling myself I’m doing the right thing to  
11 fix it, no matter [how] much an[]xiety I have over this issue.” (*Id.* at  
12 RECEIVER\_000051.)

13 . July 31, 2014: “It’s all going in the right direction, just not sure if it’s  
14 going fast enough. As long as David doesn’t bug me, I feel like we are  
15 doing the right thing.” [*Id.* at RECEIVER\_000073.]

16 . March 13, 2015: “I got an email from Dave my attorney wanting to meet.  
17 He gave me a year to straighten stuff out. We’ll see what pressure I’m  
18 under to report now.” (Ex. L, Clark Hill SOF, Ex. 136 at  
19 RECEIVER\_000101.)

20 . March 24, 2015: “I had lunch with Dave Beauchamp. I was nervous he  
21 was going to put a lot of pressure on me. However, he was thrilled to  
22 know where we were at and I told him by April 15th, we’ll be down to  
23 16 properties with seconds on them, and by the end of June we hope to  
24 have all the retail houses sold by then and darn near be done with it. I’m  
25 going to slow down the whole memorandum process too. Give us as  
26 much time as possible to get things in better order.” (*Id.* at  
27 RECEIVER\_000102.)  
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1           32. Prior to his suicide, Chittick wrote a letter to his sister Shawna Heuer  
2 (“Iggy”). (Ex. L, Clark Hill SOF, Ex. 38.) In the letter, he states:

3           · “Dave my attorney even allowed us to do the wholesaling . . . . [H]e let  
4 me get the workout signed[,] not tell the investors[,] and try to fix the  
5 problem. That was a huge mistake . . . . Dave did a workout agreement  
6 with [Menaged], we were executing to it and making headway, yet Dave  
7 never made me tell the investors.” (*Id.* at DIC0009482–83.)

8           · “I talked Dave my attorney in to allowing me to continue without  
9 notifying my investors. Shame on him. He shouldn’t have allowed me.  
10 He even told me once I was doing the right thing.” (*Id.* at DIC0009484.)

11           · “Dave my lawyer, negotiated the work out agreement and endorsed the  
12 plan. Then when [Menaged] said hey, let me buy some foreclosures, flip  
13 them, wholesale them, etc. so I can make money. All the other lenders  
14 wouldn’t lend to him. I needed him to make money now more than ever  
15 before, we went to Dave, and he gave some constraints on how we were  
16 to operate. I followed them. I have all the documentation. I received  
17 copies of checks made out to trustee’s, receipts from the trustees. I had  
18 all my docs signed. I recorded my mortgage, I had evidence of insurance,  
19 and I did everything.”

20           33. Prior to his suicide, Chittick wrote a letter to his investors. (Ex. L, Clark  
21 Hill SOF Ex. 138 (Beauchamp Depo. Ex. 414).) In the letter, he made the following  
22 statements:

23           · “In January [2014], a group of five of the other lenders met me in my  
24 office. They had loans on about 60 of the houses. They said unless they  
25 were paid off in full, they would take this to court . . . . Yes, by this time  
26 I’m talking with my lawyer David Beauchamp . . . . He’s aware of all that  
27 I know. He agreed it would be the worst situation to sue each other and  
28 try to figure it out.” (*Id.* at DIC0009471.)

- 1 . “[Menaged] and I worked for months on an agreement that was pounded  
2 out between our lawyers. It was a work out agreement with outline of  
3 what we were doing and how it was to happen. Why I didn’t let all of  
4 you know what was going on at any point? It was pure fear . . . . I have  
5 100 investors. I had no idea what everyone would do or want to do or  
6 how many would just sue, justifiably. I also feared that there would be a  
7 classic run on the bank . . . . I truly believe we had a plan that would allow  
8 me to continue to operate, my investors would receive their interest and  
9 redemptions as a normal course of business, and the rest of my portfolio  
10 was performing. Dave blessed this course of action. We signed this  
11 workout agreement and began executing it.” (*Id.*)
- 12 . “Going back to December of 2013, . . . [Menaged] knew he had to make  
13 money to help cover the deficit [that] would be created by the double  
14 encumbered properties and shortage that would be created at the time of  
15 disposition. He wanted time to still fund him buying properties at auction  
16 and flipping them, wholesaling them, etc. I talked to Dave about this in  
17 January [2014] and he was in agreement with it as long as I received  
18 copies of checks and receipts showing that I was paying the trustee . . . .  
19 We agreed to the operation and allowed him to still buy things.” (*Id.* at  
20 DIC0009472.)
- 21 . “Now I know that you would think, why the hell would I lend more  
22 money to guy that just put me in this situation? [Menaged] came to me  
23 and said he was going to do everything he could to make this right. He  
24 could [have] at anytime just throw up his hands and walked away, filed  
25 BK and left me with a massive mess. He didn’t. He helped negotiate  
26 with the other lenders. He sat with his attorney and mine and signed a  
27 very one sided agreement in my favor to work this out. I had UCC’s on  
28 his furniture business and a life insurance policy. In fact his attorney

1           advised him not to sign it. No one else was going to lend him money and  
2           I needed him to make money so that I could be paid back because of what  
3           and how we were operating, Dave blessed it . . . .” (*Id.* at DIC0009472.)

4           **D.    Menaged’s Second Fraud.**

5           34.    Starting in January 2014, while the forbearance agreement was  
6           negotiated, Menaged switched fraud tactics. Chittick required Menaged for all future  
7           loans to provide a copy of a certified cashier’s check payable to the trustee listing the  
8           specific property for which DenSco wired funds and a copy of the trustee’s receipt  
9           evidencing the property’s purchase. Menaged agreed. As a result, for each new  
10          DenSco loan for a specific property purchase, Menaged sent to DenSco a copy of the  
11          cashier’s check for the purchase of the property with the property address and a trustee’s  
12          receipt showing the purchase. Ex. A, attachment 2, Status Report of Receiver,  
13          December 23, 2016 at page 9 (Second Fraud)

14          35.    From January 2014 to April 2014, Menaged sent his employee Veronica  
15          Castro to U.S. Bank to purchase cashier’s checks. She would purchase a cashier’s  
16          check for a specific property, photograph the check, and then redeposit the check as not  
17          used for its intended purpose. She would then forge a trustee’s receipt and email a copy  
18          of the check and forged trustee’s receipt to Chittick. U.S. Bank issued 60 cashier’s  
19          checks that were issued, photographed, and redeposited. (Menaged Depo. Vol. I at  
20          29:22–30:14 (Ex. C); *id.* at 26:21–31:12 (description by Menaged of Ponzi scheme).)

21          36.    In April 2014, Menaged switched to Chase. (SOF Ex. 7 (April 8, 2014  
22          Chase Bank signature card).) The branch at 90th Street and Shea Boulevard (the “Chase  
23          Branch”) was near where Menaged lived. (Ex. C, Menaged Depo. Vol. I at 56:17-24.)  
24          From April 2014 to July 2015, Menaged conducted the same types of cashier’s check  
25          transactions with Chase and continued to send copies of cashier’s checks and forged  
26          trustee’s receipts. Veronica continued to forward the cashier’s check copies and forged  
27          receipts to DenSco. *Id.* at 28:2–31:10; 56:5-19. Chase issued 1,344 cashier’s checks,  
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multiple cashier's checks nearly each business day that were photographed and redeposited. (*Id.* at 86:25–87:10 (everyday occurrence).)

## E. What Chase Knew About Menaged and DenSco's Business.

[illegible]



[illegible]

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**F. The 1344 Chase Cashiers' Checks Issued and Redeposited.**

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46. [REDACTED]

47. The cashier's checks also had an "Order of" line. When Chase was pre-preparing the checks for the drive-through lane, starting in July 2014, the "Order of" line was filled in by Chase with "Densco Payment" and the property address. (*E.g.*, Depo. Exs. 1005, 1006, 1007.)

48. The cashier's checks were paid by cash withdrawals from the AZHF account from monies wired by DenSco. (Ex. C, Menaged Depo. Vol. I at 196:6–197:7.)

49. Chase handed the cashier's checks to Menaged over the teller counter. Menaged would photograph the checks with his phone at the teller counter and then hand the cashier's checks back to Chase for redeposit. (*Id.* at 57:15-25.)

50. [REDACTED]

51. Menaged described his relationship with Samantha Nelson, the Chase assistant branch manager, as very good: "I'd come in every day and make my normal bank transactions." (Ex. C, Menaged Depo Vol. I at 54:8-11.)

52. In July 2014, per Nelson's idea, Chase devised a system to speed up the cashier's check transactions. (*Id.* at 84:3-18.) [REDACTED]

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53. [REDACTED]

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[REDACTED]

54. When Menaged arrived at the bank, all of the documents were ready: the withdrawal slip, the cashier’s checks, and the deposit slip. (Ex. C, Menaged Depo. Vol. I at 84:19; Depo. of Samantha Nelson, December 5, 2019 (“2019 Nelson Depo.”) at 85:7-89:12, attached hereto as Ex. G.)

55. Nelson would assist Menaged in filling out the deposit slips. When she prepared a deposit slip prior to Menaged’s visit to the bank, she would fill it out with the name and account number. (*Id.* at 87:1–88:13.)

56. When Menaged used the drive-through lane, he would be sent the withdrawal slip already filled out, the cashier’s checks already prepared, and a deposit slip filled out with the name and account number. (*Id.* at 90:9-24; *see also* Ex. C, Menaged Depo. Vol. I at 84:19-85:2.) Sometimes he would receive everything at once. (*Id.* at 85:6-22.)

57. In the drive-through lane, Menaged would photograph the checks in his car and return them for deposit through a tube. “I signed it, send it back, I would take a picture in the car of those checks and I would return those checks with the withdrawal slip and the deposit slip that’s in there, all in the same tube, back.” (*Id.*)

58. Vikram Dadlani would prepare and process the checks when Nelson was not at the bank. (*Id.* at 207:1-14.)

59. From July to December 2014, Nelson could sign the cash withdrawal slips “per customer request.” (Ex. H, 2022 Nelson Depo. at 224:3-15.) [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1           60.    After December 2014, the drive-through transactions continued, but  
2 Menaged would have to sign the cash withdrawal slip. (*Id.*)

3           61.    The cashier's checks were immediately redeposited after Menaged took  
4 photo images of the cashier's checks. The backs of the checks were stamped "not used  
5 for intended purpose." (*Id.* 81:15-17.) The customer normally signs the back of the  
6 checks on redeposit. (*Id.*)

7           62.    [REDACTED]  
8 [REDACTED]  
9 [REDACTED] [REDACTED]  
10 [REDACTED].

11           63.    The number of cashier's checks issued and redeposited is staggering.  
12 They start on April 10, 2014. (Depo. Ex. 359.) They end on June 22, 2015. (Depo.  
13 Ex. 1702.) 1,344 checks were issued and redeposited.

14           64.    Each of the cashier's checks issued is associated with a DenSco property  
15 file that contains a pay-off letter, a note secured by a deed of trust, a mortgage and deed  
16 of trust, and an insurance binder. This is evidence that DenSco actually relied upon the  
17 cashier's checks photos to do the property transactions. (Depo. Exs. 359–1702.)

18           65.    Sometimes Menaged's photographs of the cashier's checks capture a  
19 background. As a result, before the expedited drive-through process was implemented,  
20 the photograph may have a background of a teller counter or Chase floor. (*E.g.*, Depo.  
21 Exs. 363–365.)

22           66.    [REDACTED]  
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**G. Chase's Documents.**

67. [REDACTED]  
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68. [REDACTED]  
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69. [REDACTED]  
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70. From the monthly banking statements, the Ponzi nature of Menaged's business can easily be seen. If Menaged was borrowing money to buy properties, and then reselling the properties and using the sale proceeds to repay the loans, then the business account should have deposits from DenSco for purchasing properties and deposits from third-party buyers on the resale of those purchased properties. [REDACTED]

[REDACTED]  
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71. [REDACTED]  
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The image consists of a single, uniform black rectangle covering the entire area. There are no visible features, text, or patterns.

75. Gaia examined AZHF's monthly bank statements and bank transactions and issued a report on January 10, 2022. Based on the monthly transactions, he formed these expert opinions:

1) Millions of dollars of fraudulent transactions went unreported by JPM personnel [REDACTED]

2) Round-tripped wire activity went unreported by JPM personnel. Round-trip activity was present where wires from DenSco's account with Bank of America were received into the Menaged -1151 account, purportedly to fund the acquisition of properties purchased at trustee sales, but the proceeds were often immediately wired back to the DenSco account with the identification that these funds were "repayments" of prior loan advances. In total, DenSco "wires in" totaled \$334.2 million from April 2014 to October 2015, and "round tripped" repayments to DenSco during that same period were \$302.8 million. The source of all of these repayments can be traced back to incoming wires from DenSco. [REDACTED]

3) [REDACTED]

4) JPM willfully facilitated the suspicious withdrawal of funds from the -1151 account to support the gambling habit of Menaged by increasing the daily limit on his debit card. This allowed Menaged to loot the -1151 account for hundreds of thousands of dollars spent at casinos. These transactions were inconsistent with the intended use of the DenSco funds, and there was no reasonable explanation supporting such transactions in this account. [REDACTED]

5) JPM willfully ignored the unusual deposit activity in the -1151 account. During the life of this account, there were two major sources of deposits – DenSco “wires in” and redeposits of cancelled cashier’s checks. As early as April 2014, the first month the account was opened, the level of



deposits sourced from true third-party commercial transactions was less than 5% of total deposit activity. The overwhelming majority of deposit transactions were involved in fraudulent activities. During the entire life of the -1151 account, deposits sourced from legitimate commercial activity never exceeded 5% of deposit volume.

- 6) JPM willfully ignored the highly unusual cash withdrawal activity by Menaged from the -1151 account. During an 18-month period from April 2014 through September 2015, Menaged withdrew in excess of \$1.2 million in cash from the account. Withdrawals of this magnitude and frequency are highly unusual. These transactions were inconsistent with the intended use of the DenSco funds, and there was no reasonable explanation supporting such transactions in this account.

- 7) JPM willfully ignored the use of funds from the -1151 account to satisfy personal credit card payables. Throughout the life of this account, Menaged paid monthly statement balances on a variety of credit cards. Based on a review of monthly bank statements of the -1151 account, it appears that these credit cards were used for personal expenses as opposed to pay for supplies and materials related to his "fix and flip" properties. "Fix and flip" expenses were typically covered under a subcontractor's account. During the period from April 2014 through October 2015, Menaged used \$2,044,548 of DenSco funding to satisfy outstanding credit card obligations. These transactions were inconsistent with the intended use of the DenSco funds, and there was no reasonable explanation supporting such transactions in this account.

1 8) JPM willfully ignored the use of funds paid to relatives. Approximately  
2 \$1.8 million of DenSco funds were used for payments to a relative, Joseph  
3 Menaged, believed to be the father of Scott Menaged. These transactions  
4 were inconsistent with the intended use of the DenSco funds, and there  
5 was no reasonable explanation supporting such transactions in this  
6 account. [REDACTED]

7 9) JPM willfully ignored the use of funds paid to unrelated third-party  
8 lenders. Approximately \$3 million of DenSco funds were used to repay  
9 unrelated third-party lenders. Two lenders, Active Funding Group and  
10 Sell Wholesale Funding received payments of \$2.7 million and \$.2  
11 million, respectively. These transactions were inconsistent with the  
12 intended use of the DenSco funds, and there was no reasonable  
13 explanation supporting such transactions in this account. [REDACTED]

14  
15 As a result of JPM's willful blindness of the activities engaged in by Menaged  
16 within the JPM bank accounts, JPM aided and abetted Menaged's fraud scheme  
17 from the date of account opening on April 9, 2014 through approximately  
18 October 2015. JPM was knowingly complicit in these schemes by virtue of its  
19 active participation in illicit transactions and willful blindness and [REDACTED]

20 (Gaia Report Jan. 10, 2022 at 5–8, attached as Ex. B, attachment 1.)

21 76. The monthly banking statements disclose that the AZHF account is used  
22 for gambling activity. (Gaia Report Jan. 10, 2022 at 23–26 (Ex. B, attachment 1)  
23 (discussing \$250,000 in cashier's checks to casinos, and listing another \$686,000 in  
24 withdrawals for casinos in April 2014).) [REDACTED]

25 [REDACTED] From April 2014 to October 2015, Menaged  
26 withdrew at least \$2,300,000 from the business account for gambling. (*Id.* at 34–35.)

27 77. From April 2014 to October 2015, DenSco wired into the AZHF account  
28 \$334,000,000 (all figures in paragraph rounded). Menaged purchased and redeposited  
\$311,000,000 in cashier's checks. Menaged used \$279,000,000 to repay DenSco loans,

1 another \$23,500,000 to repay DenSco through round-tripping to another account, and  
2 \$2,300,000 on gambling. (*Id.*)

3 78. From April 2014 to October 2015, Menaged withdrew more than  
4 \$1,200,000 in cash, the majority at a teller window. [REDACTED]

5 [REDACTED]  
6 [REDACTED] [REDACTED] [REDACTED]  
7 “Withdrawals of this magnitude and frequency are highly unusual. . . .” (*Id.*) [REDACTED]  
8 [REDACTED] (*Id.* at  
9 page 41; *see also* Depo. Ex. 69 at JPMC\_0001341.)

10 79. From April 2014 to October 2015, Menaged paid \$2,000,000 towards  
11 personal credit cards, and transferred \$1,800,000 to his relatives. (Gaia Report Jan. 10,  
12 2022 at 36–38, Ex. B, attachment 1.)

13 80. The banking business is not known to jurors. Gaia, a banking expert,  
14 describes the case as astonishing:

15 This is an astonishing case. JPM possessed all the facts in its own records to  
16 have complete knowledge of Menaged’s fraudulent activities. [REDACTED]  
17 [REDACTED]  
18 [REDACTED]

19 Bank employees knew of Menaged’s extensive gambling activities and  
20 facilitated withdrawals for gambling. Bank employees issued over 1,000  
21 cashier’s checks knowing each one would not be used for its intended  
22 purpose. Bank employees initiated wire transfers to facilitate the Ponzi  
23 scheme.

24 Here, JPM consistently over a long period of time looked blindly upon facts  
25 and activities that were both highly suspicious and fraudulent.

26 *Id.* at 42.

27 **H. Chase AML and Fraud Department.**

28 81. [REDACTED]  
[REDACTED]  
[REDACTED]

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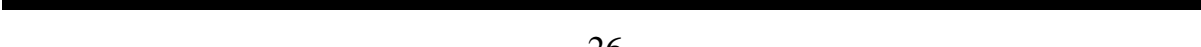
**I. Chase Profit Incentive Programs.**

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**J. Susan Lazar.**

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**K. Dadlani and Nelson.**

113. From July 2014 to July 2015, Dadlani was the branch manager at the Chase Branch. Nelson was the assistant branch manager from the start of the AZHF account in April 2014 until July 2015 and after. (Ex. G, 2019 Nelson Depo. at 19:8–11.)

114. Dadlani’s arrival at the Chase Branch coincided with the shift from Menaged’s coming into the bank daily to purchase cashier’s checks at the teller counter to an expedited system designed by Nelson for handling the high-volume cashier’s check transactions using the drive-through window. Menaged didn’t have to get out of his car. (See paragraphs 52 to 62 above.)

115. Dadlani’s departure from the branch in July 2015 coincided with the time when Menaged stopped purchasing cashier’s checks at Chase. Dadlani was present for the whole Menaged scheme except for April, May, and June 2014.

1           116. As set out above and below, Dadlani and/or Nelson and/or Lazar and/or  
2 other Chase branch employees like Pearson had daily face-to-face contact with  
3 Menaged or email communications from April 2014 to July 2015. Starting in July  
4 2014, daily email contact was established for drive-through transactions at the bank  
5 window.

6           117. [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
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[REDACTED]

[REDACTED]

## L. Dadlani and Nelson's Daily Contact with Menaged.

138. Dadlani testified that he would review his customer emails to see if there was anything he could do to improve a customer's experience. (Ex. K, Dadlani Depo. at 99:6-9.)

139. [REDACTED]

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**M. The Credibility of Dadlani and Nelson Should Go to the Jury.**

145. Dadlani testified that he did not know that Menaged was purchasing multiple cashier's checks each day, photographing them, and then redepositing them as not used for their intended purpose. Menaged disagrees. (*Id.* at 195:9-11 (Dadlani told

1 him to sign the withdrawal slips, “and then he told me, then if you want to redeposit  
2 those checks back into your account, you’re free to do whatever you want with them.”.)

3 146. [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]

12 147. Nelson stated she was not aware that 34 cashier’s checks were issued and  
13 redeposited in April 2014. (Ex. H, 2022 Nelson Depo. at 191:19–192:2.) She also did  
14 not recall if withdrawal slips and deposit slips were filled out at the same time. (*Id.* at  
15 230:6–16.)

16 148. [REDACTED]  
17 [REDACTED]  
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other on important accounts; that they are not responsible for the first line of

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(*Id.* at 28–29 (footnotes to deposition testimony omitted).)

**N. Chase’s AML and Fraud Department.**

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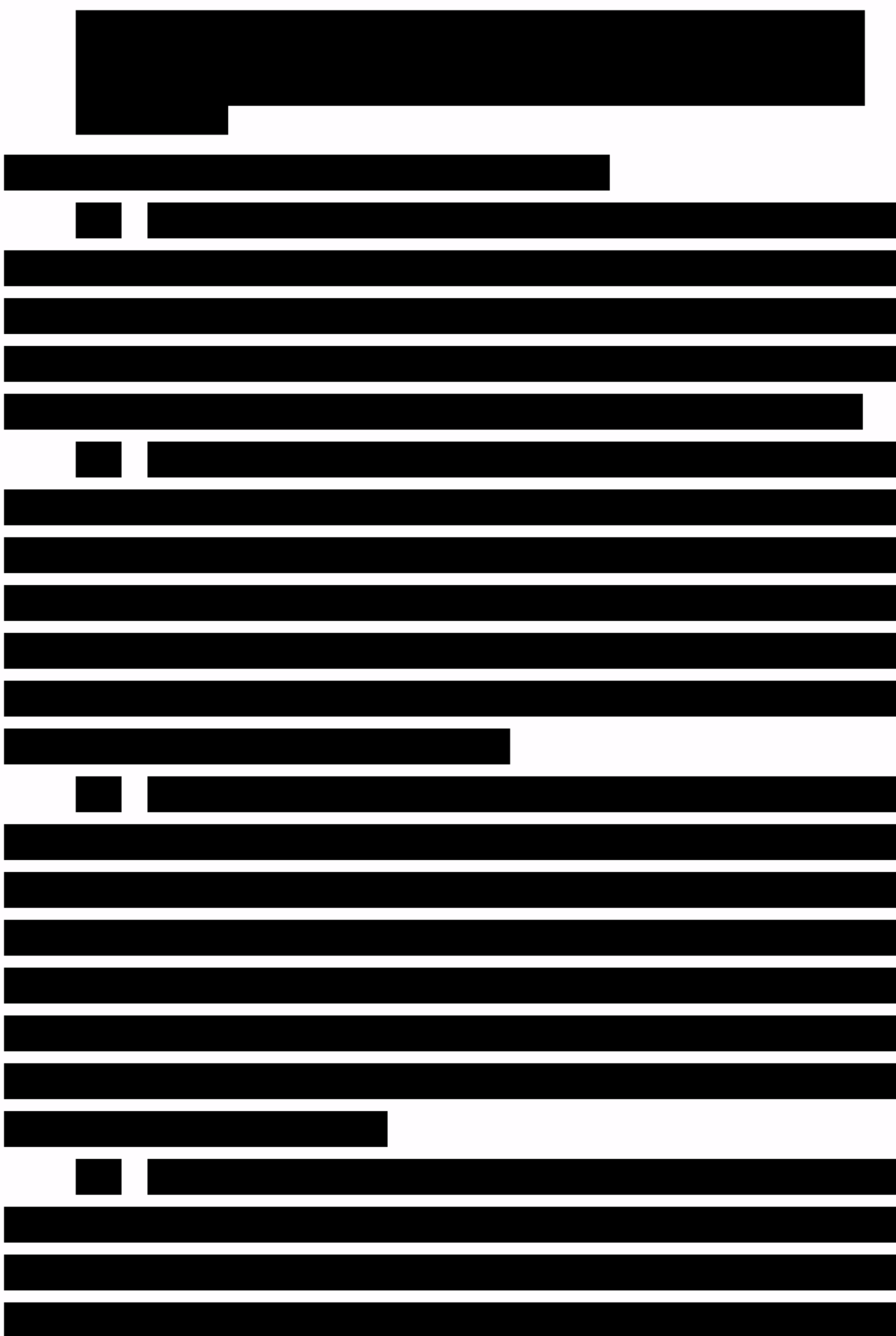
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**N. Chittick's Suicide.**

197. Like all Ponzi schemes, the scheme Menaged was running could not sustain itself. Menaged, his situation complicated by a divorce, filed for bankruptcy in 2016.

198. Chittick wrote three letters: to his investors, to his sister nicknamed Iggy, and to his ex-wife. Chittick committed suicide at the end of July 2016. The investor letter is Clark Hill SOF Ex. 138. The Iggy letter is Clark Hill SOF Ex. 38. The letter to his wife is Ranasha Chittick Depo. Ex. 919.

199. The Receiver was appointed in August 2016. (Davis Decl., Ex. A, at 1 (RECEIVER\_001650).)

200. The Receiver filed a report with the Receivership Court spelling out the two frauds committed by Menaged against DenSco. (*Id.* at attachment 1)

201. The Receiver petitioned the Receivership Court for permission to file affirmative actions to recover monies for the Estate. The Receivership Court approved the filing of a civil action against Clark Hill, the lawyer for Chittick and DenSco, and this civil action against Chase and U.S. Bank. The orders of the Receivership Court are public records with the Clerk of the Court, in Case No. CV 2016-014142.

DATED this 21st day of July, 2023.

OSBORN MALEDON, P.A.

By /s/Colin F. Campbell

Colin F. Campbell  
Geoffrey M. T. Sturr  
Timothy J. Eckstein  
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of July, 2023, on:

Honorable Dewain D. Fox\*  
Maricopa County Superior Court  
101 West Jefferson, ECB-412  
Phoenix, Arizona 85003

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10 *Kristofer Nelson, Vikram Dadlani, and Jane Doe Dadlani*

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*Attorneys for Defendants U.S. Bank National Association and Hilda H. Chavez*

/s/Karen McClain

9973394

**Index of Exhibits to Receiver's Combined Statement of Facts**

Combined SOF Exhibit No.	Document Date	Description	Bates Number	Marked Deposition Exhibit	Filed Under SEAL
A	2023-01-17	Declaration of Receiver Peter Davis with CV and 12/23/2016 Status Report attached thereto (RECEIVER_001647-72)	Not Numbered	NA	
B		Declaration of Jeffrey Gaia with Expert Reports dated January 10, 2022 and November 1, 2022 attached	Not Numbered	NA	
C	2023-01-18	Deposition of Yomtov Scott Menaged Vol. 1 [excerpts] ("Menaged Depo. Vol. 1")	Not Numbered	NA	SEAL
D	2022-05-19	Keith Hendrick's Expert Report [excerpts]	Not Numbered	NA	
E	2023-01-25	Deposition of Jon Riederer [excerpts]	Not Numbered	NA	SEAL
F	2022-10-19	Deposition of Susan Lazar [excerpts]	Not Numbered	NA	SEAL
G	2019-12-05	Deposition of Samantha Nelson ("2019 Nelson Depo.") [excerpts]	Not Numbered	NA	SEAL
H	2022-10-25	Deposition of Samantha Nelson ("2022 Nelson Depo.") [excerpts]	Not Numbered	NA	SEAL
I	2023-01-27	Deposition of Kristin Adale Johnson [excerpts]	Not Numbered	NA	SEAL
J	2023-01-31	Deposition of Scott Hitt [excerpts]	Not Numbered	NA	SEAL
K	2022-08-25	Deposition of Vikram Dadlani [excerpts]	Not Numbered	NA	SEAL
L	2019-04-12	Statement of Facts in Support of Motion for Determination that Plaintiff Has Made a Prima Facie Case for Punitive Damages with excerpted exhibits thereto ("Clark Hill SOF")	Not Numbered	NA	
M	Undated	Chittick letter to ex-wife	CH_EstateSDT_0024426	Ranasha Chittick Depo. Ex. 919	
N	Undated	Native Spreadsheets on flash drive	JPMC_0013274 JPMC_0013275 JPMC_0013280 JPMC_0013283 JPMC_0013287 JPMC_0013292 JPMC_0013302	206-212	SEAL
O	Various	1344 cashier's checks with associated property documentation, photo of check, deposit slip, loan file, email and trustee's receipts, etc.	Various	359-1702	
	2014-11-03	Bank of America Account Closure Notice to DenSco	CH_BOA_SDT_0000025-31	2	
	2014-10-23	John Molina email to Susan Lazar and Vikram Dadlani re Halo case	JPMC_0001159-1160	15	SEAL
	Multiple	Halo Internal Log Notes	JPMC0006344-6368	16	SEAL
	Undated	KYC Profile for Arizona Home Foreclosures	JPMC_0006395-6418	17	SEAL
	2014-10-31	Menaged Personal Bank Statement for October 2014	DIC0021560-21565	20	
	2014-01-01	2014 Branch Profitability Incentive Plan	JPMC_0000485-499	56	SEAL
	2015-01-01	2015 Banking Branch Profitability Incentive Plan	JPMC_0000516-534	58	SEAL
	2015-01-01	Chase Policy Know Your Customer	JPMC_0004762	60	SEAL
	2015-01-01	Chase Policy Bank Secrecy Act	JPMC_0004821	61	SEAL
	2019-06-19	Chase Policy Cashier's Checks	JPMC_000052	62	SEAL
	2016-01-01	Chase Policy Know Your Customer	JPMC_0005180	68	SEAL
	2021-06-30	Chase Policy Suspicious Activity Reporting	JPMC_0001287	69	SEAL
	2021-06-30	Chase Policy Unusual Activity Referrals	JPMC_0001294	70	SEAL
	2015-01-01	Chase Policy USA Patriot Act	JPMC_0004995	74	SEAL
	Undated	Chase Private Client Banker job description	JPMC_0002651-2654	79	SEAL
	Undated	Chase Branch Manager job description	JPMC_002655-2657	80	SEAL
	Various	Menaged Emails to Nelson and/or Dadlani re cash	Various	81	SEAL
	Various	Menaged Emails to Nelson and/or Dadlani re cashier's checks	Various	82	SEAL
	2015-07-01	Written Warning to Vikram Dadlani	JPMC_0001270-1271	88	SEAL
	2015-12-31	Dadlani Branch Manager Review for 2015	JPMC_0001272-1279	89	SEAL
	2014-12-31	Dadlani Branch Manager Review for 2014	JPMC_0001280-1286	90	SEAL
	Various	Dadlani Training Log	JPMC_0006332-6343	91	SEAL
	Undated	Alert Checklist	JPMC_0013183	223	SEAL
	Undated	Complex-Non Complex Checklist	JPMC_0013154	224	SEAL
	2014-04-08	Alexander Gil Alert Analyst Case Notes	JPMC_0013277-13279	240	SEAL
	2014-07-16	Padraic Friel Analyst Notes	JPMC_0013056-13057	241	SEAL
	2014-07-25	Eric Mruczek Analyst Notes	JPMC_0013068-13069	242	SEAL
	2014-07-11	Robert Oven Analyst Notes	JPMC_0013272-13273	243	SEAL
	2014-10-17	Kevin Burkhart Analyst Notes	JPMC_0013155-13156	244	SEAL
	2015-02-09	Robyn DeAngelis Analyst Notes	JPMC_0013152-13153	246	SEAL
	2014-05-02	Menaged personal Bank Statement for May 2014	DIC0021508-21539	278	
	2014-06-01	Susan Lazar Mid-Year Review for 2014	JPMC_0001992-1995	279	SEAL
	2014-12-31	Susan Lazar Year End Review for 2014	JPMC_0001996-1999	280	SEAL
	2014-06-16	Email exchange between Susan Lazar and Menaged forwarded to Michael Udvare	JPMC_0002021-2022	282	SEAL
	Undated	Spreadsheet of Susan Lazar's training	JPMC_0006330	283	SEAL
	2014-04-09	Email exchange between Susan Lazar and Menaged	JPMC_0001359-1360	284	SEAL
	2014-04-10	Email exchange between Susan Lazar and Menaged	JPMC_0001391-1395	285	SEAL

**Index of Exhibits to Receiver's Combined Statement of Facts**

<b>Combined SOF Exhibit No.</b>	<b>Document Date</b>	<b>Description</b>	<b>Bates Number</b>	<b>Marked Deposition Exhibit</b>	<b>Filed Under SEAL</b>
	2014-04-11	Email exchange between Susan Lazar and Menaged	JPMC_0001419-1424	286	SEAL
	2014-04-15	Email exchange between Bo Pearson and Menaged	JPMC_0001439	287	SEAL
	2014-04-17	Email exchange between Susan Lazar and Menaged	JPMC_0001454	289	SEAL
	2014-05-05	Email exchange between Susan Lazar and Menaged	JPMC_0001474-1475	291	SEAL
	2014-05-06	Email exchange between Susan Lazar and Menaged	JPMC_0001495-1498	292	SEAL
	2014-05-08	Email exchange between Susan Lazar and Menaged	JPMC_0001501	293	SEAL
	2014-05-09	Email exchange between Susan Lazar and Menaged	JPMC_0001509	294	SEAL
	2014-05-14	Email exchange between Susan Lazar and Menaged	JPMC_0001519-1520	297	SEAL
	2014-06-02	Email exchange between Susan Lazar and Menaged	JPMC_0001559-1562	299	SEAL
	2014-06-02	Email exchange between Susan Lazar and Menaged	JPMC_0001572-1576	301	SEAL
	2014-06-20	Email exchange between Susan Lazar and Menaged	JPMC_0001591	304	SEAL
	2014-06-24	Email exchange between Susan Lazar and Menaged	JPMC_0001595-1596	305	SEAL
	2014-07-07	Email exchange between Susan Lazar and Menaged	JPMC_0001605	306	SEAL
	2014-07-09	Email exchange between Susan Lazar and Menaged	JPMC_0001618-1621	307	SEAL
	2014-07-09	Email exchange between Susan Lazar and Menaged	JPMC_0001641-1644	308	SEAL
	2014-07-14	Email exchange between Susan Lazar and Menaged	JPMC_0001654-1658	309	SEAL
	2014-07-14	Email exchange between Susan Lazar and Menaged	JPMC_0001669-1674	310	SEAL
	2014-07-17	Email exchange between Susan Lazar and Menaged	JPMC_0001680-1681	311	SEAL
	2014-07-18	Email exchange between Susan Lazar and Menaged	JPMC_0001682-1687	312	SEAL
	2014-07-22	Email exchange between Susan Lazar and Menaged	JPMC_0001729-1735	313	SEAL
	2014-08-07	Email exchange between Susan Lazar and Menaged	JPMC_0001800-1807	316	SEAL
	2014-08-28	Email exchange between Susan Lazar and Menaged	JPMC_0001831-1832	320	SEAL
	2014-09-12	Email exchange between Susan Lazar and Menaged	JPMC_0001869	324	SEAL
	2014-09-12	Email exchange between Susan Lazar and Menaged	JPMC_0001873	325	SEAL
	2014-09-26	Email exchange between Susan Lazar and Menaged	JPMC_0001918	327	SEAL
	2014-09-30	Email exchange between Susan Lazar and Menaged	JPMC_0001930	329	SEAL
	2014-10-23	Email exchange between Susan Lazar and Menaged	JPMC_0001944	330	SEAL
	2014-11-24	2014 Annual AML Slides	JPMC_00013303-13429	336	SEAL
	2014-12-31	Samantha Nelson Year End Review for 2014	JPMC_0001248-1252	338	SEAL
	2014-12-31	Samantha Nelson Year End Review for 2015	JPMC_0001241-1247	339	SEAL
	2014-04-30	April 2014 Monthly Statement - AZHF with backup documentation	JPMC_00010547-10726	343	SEAL
	2014-05-30	May 2014 Monthly Statement - AZHF with backup documentation	JPMC_00011272-11594	344	SEAL
	2014-11-30	November 2014 Monthly Statement - AZHF with backup documentation	JPMC_00009072-9306	350	SEAL
	2014-12-31	December 2014 Monthly Statement - AZHF with backup documentation	JPMC_00009311-9627	351	SEAL
	2015-05-30	May 2015 Monthly Statement - AZHF with backup documentation	JPMC_00011029-0011271	356	SEAL
	2014-04-23	Screenshot Gloria Boling and Bo Pearson email	JPMC_00013454	1733	SEAL
	2014-09-24	Halo Case Details	JPMC_00013433-13443	1734	SEAL

# **Exhibit A**

Colin F. Campbell, 004955  
Geoffrey M. T. Sturr, 014063  
Timothy J. Eckstein, 018321  
Joseph N. Roth, 025725  
John S. Bullock, 034950  
BriAnne N. Illich Meeds, 036094  
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Attorneys for Plaintiff

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,

v.

U.S. Bank, NA, a national banking  
organization; Hilda H. Chavez and John  
Doe Chavez, a married couple; JP Morgan  
Chase Bank, N.A., a national banking  
organization; Samantha Nelson f/k/a  
Samantha Kumbalek and Kristofer  
Nelson, a married couple; and Vikram  
Dadlani and Jane Doe Dadlani, a married  
couple,

Defendants.

No. CV2019-011499

**DECLARATION OF  
PETER S. DAVIS**

(Assigned to the Honorable  
Dewain D. Fox)

1 I, Peter S. Davis, declare as follows:

2 1. This declaration is made under Rule 80(c) of the Arizona Rules of Civil  
3 Procedure.

4 2. I am the Court-appointed Receiver for DenSco.

5 3. My resume is attached hereto as Attachment 1. By education, training,  
6 and experience, I am an expert in accounting matters, receivership matters, and forensic  
7 accounting for fraud.

8 4. As Receiver, I prepare and file with the Court status reports setting forth  
9 my opinions based upon my work and the efforts made by the Receiver to collect  
10 monies due DenSco.

11 5. My Status Report dated December 23, 2016 is attached hereto as  
12 Attachment 2.

13 6. The status reports set forth my opinions and the basis for those opinions  
14 regarding the fraud Receivership at those stages of the case.

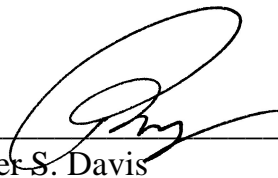
15 7. I declare under penalty of perjury that the foregoing is true and correct to  
16 the best of my knowledge, information, and belief.

17 Dated this 17th day of July, 2023.

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Peter S. Davis

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# **Attachment 1**



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### Key Expertise

- Forensic Accounting/Fraud Investigations
- Receivership
- Restructuring
- Turnaround

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### Education

Master of Business Administration  
Arizona State University, 2001

Bachelor of Science  
Accounting, minor in Political Science  
Loyola Marymount University, 1991

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### Project Geographical Experience

U.S., Mexico, Germany, and Japan

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### Languages

English, German

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### Contact

3101 N Central Avenue, Suite 670,  
Phoenix, AZ 85012 |  
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pdavis@jsheld.com

### Summary of Experience

Senior Managing Director Peter S. Davis has over 25 years of litigation experience in areas including complex receiverships, forensic accountings, restructurings, fraud detection, bankruptcy matters, valuations, and damages. Mr. Davis has served as Receiver in regulatory matters brought by the U.S. Securities and Exchange Commission, Federal Trade Commission, Arizona Corporation Commission, and the Arizona State Board of Education, as well as lenders and equity holders. His areas of expertise include understanding and interpreting complex financial data, fraud detection, turnaround, and determining damages. Mr. Davis has provided expert testimony in numerous Federal, Bankruptcy, and State court matters. He has taught on the subject of forensic accounting and receiverships at Arizona State University and has provided training on forensic accounting and receivership to numerous organizations.

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### Professional Affiliations/Memberships/Licenses/Training

CPA-Certified Public Accountant licensed in Arizona, Washington, and Oregon  
American Institute of Certified Public Accountant Credentials

- ABV-Accredited in Business Valuations
- CFF-Certified in Financial Forensics

CIRA-Certified Insolvency and Restructuring Advisor through Association of Insolvency and Restructuring Advisors

CTP-Certified Turnaround Professional through Turnaround Management Association

CFE-Certified Fraud Examiner through Association of Certified Fraud Examiners  
American Bankruptcy Institute

American Bar Association, Affiliated Professional, Business Law Section (Business Bankruptcy Litigation and Chapter 11 Committees, and Litigation Section Member

American Institute of Certified Public Accountants, Forensic and Valuation Services Section

Arizona Asian Bar Association & Arizona Black Bar, Non-Attorney Member

Arizona Society of Certified Public Accountants

Association of Certified Fraud Examiners

Association of Certified Fraud Examiners, Arizona Chapter

Association of Insolvency and Restructuring Advisors

California Receivers Forum

Commercial Law League of America

Commercial Receivers Association

Los Abogados Hispanic Bar Association of Arizona- Associate Member

Maricopa County Bar Association: Community and Business Partners Member and Member of the Bankruptcy, Criminal Law, and Litigation Sections

National Association of Bankruptcy Trustees

National Association of Federal Equity Receiver

The Risk Management Association

Turnaround Management Association



## **Board of Directors Appointments**

National Association of Federal Equity Receivers (NAFER), Board of Directors, 2020-2023  
Maricopa County Bar Foundation; Board of Directors, 2018-2021  
Social Venture Partners Arizona; Board of Directors, 2017  
Davis Enterprises Management Company; Board of Directors; 2013-2015, 2017-Present  
Acumen Energy Solutions Inc.; Board of Directors; 2013-2018  
The Tungland Corporation; Board of Directors; 2013-2022  
Arizona Foundation for Legal Services & Education; Board of Directors; 2013-2018; 2020-Present  
Guyann Corporation; Board of Directors; 2012-2021  
Three-Five Systems Inc.; Board of Directors; 2006-2010

## **Work Experience**

J.S. Held  
Senior Managing Director  
2021 – Present

Simon Consulting, LLC  
Senior Managing Director  
2000 – 2020

## **Selected Publications**

*"Fraudulent Manipulation of Bank Statements in Adobe Acrobat PDF Format," Receivership NEWS*, a Publication of the California Receivers Forum, Summer 2013 Issue 48, page 22.  
*"Fraudulent Manipulation of Bank Statements in Electronic Format,"* ACFE Insights, a Publication of Association of Certified Fraud Examiners, September 30, 2021.  
*"Beware of Fraudulent Manipulation of Electronic Documents,"* SIU Today, a Publication of International Association of Special Investigations Units, Winter 2021 Issue, pages 14-16.  
*"The Role of Forensic Accountants in Detecting Fraud in Business Interruption Claims (Part I of II)."* Online publication of NACVA at [quickreadbuzz.com](http://quickreadbuzz.com) on May 25, 2022.  
*"The Role of Forensic Accountants in Detecting Fraud in Business Interruption Claims (Part II of II)."* Online publication of NACVA at [quickreadbuzz.com](http://quickreadbuzz.com) on May 31, 2022.  
*"The Role of Forensic Accountants in Measuring and Detecting Fraud in Inventory Loss Claims."* Online publication of NACVA at [quickreadbuzz.com](http://quickreadbuzz.com) on July 7, 2022.  
*"The Role of Forensic Accountants in Measuring and Detecting Fraud in Inventory Loss Claims."* Online publication of AFCE at [acfe.com](http://acfe.com) October 12, 2022.

## **Other Affiliations**

Arizona Foundation for Legal Services & Education, Next Generation Fellow  
Beta Gamma Sigma  
Alpha Sigma Nu  
Eagle Scout  
National Eagle Scout Association  
Order of Malta

## Testimony Experience

Amapola, LLC v Marshall, et al.; United States District Court, District of Clark County, Nevada; Testimony, 2023

Peter S. Davis, as Receiver of DenSco Investment Corporation v US Bank, N.A. et al; Maricopa County Superior Court; Testimony, 2022

CRC Broadcasting Company and CRC Media West, LLC, Debtors; United States Bankruptcy Court, District of Arizona; Testimony, 2022

Faysal Baqseh, et al. v Ramey Sweis, et al.; Maricopa County Superior Court; Testimony, 2021

Walid Almuti v Faten Amar; Maricopa County Superior Court; Testimony, 2021

Wright v Wright; Maricopa County Superior Court; Testimony, 2021

Burton v Burton, et al.; Maricopa County Superior Court; Testimony, 2020

In the Matter of the Estate of William P. Richmond, Deceased; Maricopa County Superior Court; Testimony, 2020

MMJ Apothecary, GP, et al. v EOM&D Management, LLC, et al.; Maricopa County Superior Court; Testimony 2020

High Desert Healing, LLC, et al. v. Squared L, LLC, et al.; Maricopa County Superior Court; Testimony, 2020

Brucklier v Brucklier; Maricopa County Superior Court; Testimony, 2020

Gilbert 60 Powers, LLC v NGW, LLC; Maricopa County Superior Court; Testimony, 2020 and 2019

Sun City Consulting, Inc., et al.; v Wickenburg Alternative Medicine, LLC, et al.; Mohave County Private Arbitration, Testimony, 2019

Helix Recovery-Sevin, LLC, et al; v Helix Properties, LLC, et al.; Maricopa County Superior Court; Testimony, 2019

KC Homes, LLC, et al. v State of Arizona, et al.; Maricopa County Superior Court; Testimony, 2018

Peter S. Davis, as Receiver of DenSco Investment Corporation v Clark Hill PLC et al; Maricopa County Superior Court; Testimony, 2018

Murphy Elementary School District No. 21; Arizona State Board of Education; Testimony, 2018

Sonnenschein, et al. v Palo Verde Capital LLC; Maricopa County Superior Court; Testimony, 2018

Schinker v Schinker; Maricopa County Superior Court; Testimony, 2018

PNTM Management Services LLC, et al. v Absolute Healthcare Inc., et al.; American Arbitration Association; Testimony, 2020 and 2018

Arizona Natures Wellness v. Sally Koenig Trust, et al.; Maricopa County Superior Court; Testimony, 2018

Wilkinson Floor Covering, Inc., Debtor; United States Bankruptcy Court, District of Arizona; Testimony, 2018

Romero v Romero; Maricopa County Superior Court; Testimony, 2017

United States of America v Akhavi; United States District Court, District of Arizona; Testimony, 2017

Ace American Insurance Company v Taylor International Corporation et al.; Maricopa County Superior Court; Testimony, 2017

Desert Schools Federal Credit Union, et al., v Clancy, et al.; Maricopa County Superior Court; Testimony, 2017

DBT Yuma LLC, et al., v Yuma County Airport Authority; Superior Court of the State of Arizona in and for the County of Yuma; Testimony, 2017

Arizona Corporation Commission v DenSco Investment Corporation; Maricopa County Superior Court; Testimony, 2016

Goble v Truscan-Goble; Maricopa County Superior Court; Testimony, 2016

TKC Aerospace Inc. v Phoenix Heliports Inc., et al.; United States Bankruptcy Court, District of Arizona; Testimony, 2016

Cantor, et al. v Green Hills Patient Center Inc., et al.; Maricopa County Superior Court; Testimony, 2016

TKC Aerospace Inc. v Phoenix Heliports, Inc., et al.; Maricopa County Superior Court; Testimony, 2015

Asnani v Ponderosa Botanical Care Inc. d/b/a Ponderosa Releaf Dispensary; Pinal County Superior Court; Testimony, 2015

PNTM Management Services LLC, et al. v Absolute Healthcare Inc., et al.; Maricopa County Superior Court; Testimony, 2015 and 2014

SVP Financial Services Partners LLLP, et al.; United States Bankruptcy Court, District of Arizona; Testimony, 2014

Worman v LeadMD Inc.; Maricopa County Superior Court; Testimony, 2014

Estate of Ellen Derges Foster; Maricopa County Superior Court; Testimony, 2014

Trisports.com LLC, et al.; United States Bankruptcy Court, District of Arizona; Testimony, 2014

Galczynski, et al. v Terra Funding LLC, et al.; American Arbitration Association; Testimony, 2014

Talisman Partners LLC v LHR Inc., et al.; Maricopa County Superior Court; Testimony, 2014

Tri-Core Companies LLC, et al.; Arizona Corporation Commission; Testimony, 2014

Blumberg v Blumberg; Maricopa County Superior Court; Testimony, 2013

State of Arizona v DeMocker; Yavapai County Superior Court; Testimony, 2013

Roberts v Roberts; Maricopa County Superior Court; Testimony, 2013

State of Arizona v Nozicka, et al.; Maricopa County Superior Court; Grand Jury Testimony, 2012

Enterprise Bank & Trust v Saad, et al.; Maricopa County Superior Court; Testimony, 2012

Two Brothers XI Inc., Debtor, et al.; United States Bankruptcy Court, District of Arizona; Testimony, 2012

State Farm v Stone, et al.; Maricopa County Superior Court; Testimony, 2012

Lohoff v Lohoff; Maricopa County Superior Court; Testimony, 2012

Field v Field; Maricopa County Superior Court; Testimony, 2012

Bennett, Debtor; United States Bankruptcy Court, District of Arizona; Testimony, 2011

Film Management Services Corporation, Debtor; United States Bankruptcy Court, District of Arizona; Testimony, 2011

In the Matter of the Estate of T. Marie Smith, Deceased; Smith v Del Giorgio; Coconino County Superior Court; Testimony, 2011

Stradling v Grant, et al.; Maricopa County Superior Court; Testimony, 2011

Greenbelt Property Management LLC, Debtor, v Transnation Title Insurance Company; United States Bankruptcy Court, District of Arizona; Testimony, 2011

McMaster v Master Block Inc., et al.; Maricopa County Superior Court; Testimony, 2011

Bank of America NA v Estrella Mountain Dentistry PLLC, et al.; Maricopa County Superior Court; Testimony, 2011

In the Matter of a Member of the State Bar of Arizona, Robert J. Rosepink; Supreme Court of Arizona; Testimony, 2010

Fortune, et al. v Hoover, et al.; Mohave County Superior Court; Arbitration Testimony, 2010

Marrero, et al. v Emphyrean Construction LLC, et al.; Maricopa County Superior Court; Testimony, 2010

Maasen v Maasen; Maricopa County Superior Court; Testimony, 2010

Ravenscroft Conservatorship; Maricopa County Superior Court; Testimony, 2010

Happy State Bank v Desert Springs Community Corporation, et al.; District Court of Clark County, Nevada; Testimony, 2010

Batlan as Disbursing Agent for Debtor Thompson & Walters Nursery LLC v WT Consulting Inc., et al.; United States Bankruptcy Court, District of Oregon; Testimony, 2010

Midfirst Bank v Alba Investment Group LLC, et al.; Maricopa County Superior Court; Testimony, 2010

Odom, et al. v Andrews, et al.; Maricopa County Superior Court; Testimony, 2009

Cochise Agricultural Properties LLC, et al. v Ratliff Farms LLC, et al.; United States Bankruptcy Court, District of Arizona; Testimony, 2009

Leroy v Seattle Funding Group of Arizona LLC, et al.; Maricopa County Superior Court; Testimony, 2009

Sprouss v Sprouss; Maricopa County Superior Court; Testimony, 2009

KeyBank NA v Power Marine Sales Inc., et al.; Maricopa County Superior Court; Testimony, 2009

Sherk v Wenrick, TGR Properties LLC; Maricopa County Superior Court; Testimony, 2009

Arizona Corporation Commission v Trend Management Group Inc., et al.; Maricopa County Superior Court; Testimony, 2009

Lucerne Development LLC v Offices at Desert Fairways Unit Owners Association, et al.; Maricopa County Superior Court; Testimony, 2008 and 2009

Allen v Gwilliam; Maricopa County Superior Court; Testimony, 2008

State of Arizona v Galyon, et al.; Maricopa County Superior Court; Grand Jury Testimony, 2008

Aracaju Inc., Gwilliam v True North Inc., Gwilliam; Maricopa County Superior Court; Testimony, 2008 and 2009

State of Arizona v Herndon; Maricopa County Superior Court; Testimony, 2008

Molina v Molina; Maricopa County Superior Court; Testimony, 2008

Drexler v Ray, Creative Fine Dining LLC; Maricopa County Superior Court; Testimony, 2007

Flores v Martinez; Pinal County Superior Court; Testimony, 2007

Global Grounds Greenery LLC, Debtor, et al.; United States Bankruptcy Court, District of Arizona; Testimony, 2006, 2007, and 2008

Gates-04 LLC, et al. v ENTI Inc., et al.; Maricopa County Superior Court; Testimony, 2006 and 2007

Garcia v Young; Maricopa County Superior Court; Testimony, 2007

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Ronco v Friedman, et al.; Maricopa County Superior Court; Special Master, 2014  
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SVP Restaurant Financing LLC v KCI Restaurant Management LLC, et al.; Maricopa County Superior Court; Receiver, 2014  
PNTM Management Services LLC, et al. v Absolute Healthcare Inc., et al.; Maricopa County Superior Court; Receiver, 2014  
Sonnenschein, et al. v Palo Verde Capital LLC; Maricopa County Superior Court; Receiver, 2013  
Hellman v Edgar, Ancillary Care Solutions LLC; Maricopa County Superior Court; Receiver, 2013  
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Lafflin, et al. v TLR Group LLC, et al.; Maricopa County Superior Court; Special Master, 2012  
Crane v Crane; Maricopa County Superior Court; Tax Practitioner, 2012  
Securities and Exchange Commission v Poirier, et al.; United States District Court, District of Arizona; Distribution Agent, 2012  
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Lohoff v Lohoff; Maricopa County Superior Court; Business Evaluator, 2011  
Cedar Unified School District; Arizona State Board of Education; Receiver, 2011  
McMaster v Master Block Inc., et al.; Maricopa County Superior Court; Receiver, 2011  
Bank of America NA v Estrella Mountain Dentistry PLLC, et al.; Maricopa County Superior Court; Receiver, 2011  
Babcock v Babcock; Maricopa County Superior Court; Family Law Master, 2011  
Wenima Development LLC v Wenima Village LP, et al.; Apache County Superior Court; Receiver, 2010  
Marino v Focus Home Therapy & Medical Services LLC, et al.; Maricopa County Superior Court; Receiver, 2010  
First Fidelity Bank NA v TL Qik Stop Market Inc.; Maricopa County Superior Court; Receiver, 2010  
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JPMorgan Chase Bank NA v Hutchinson's Furniture of Lake Havasu City Inc., et al.; Mohave County Superior Court; Receiver, 2010  
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Flores v Martinez; Pinal County Superior Court; Business Appraiser, 2005

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Lever v Lever; Maricopa County Superior Court; Rule 53 Special Master, 2001

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# **Attachment 2**



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***Arizona Corporation Commission***  
***v.***  
***DenSco Investment Corporation***  
***(Case No. CV 2016-014142)***

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*Status Report*  
*of*  
*Peter S. Davis, as Receiver of DenSco Investment Corporation*

*December 23, 2016*

## TABLE OF CONTENTS

<b>1. Background and Appointment of the Receiver .....</b>	<b>1</b>
<b>2. Receivership Activities .....</b>	<b>1</b>
2.1. Administration of the DenSco Loan Portfolio .....	1
2.1.1. Non-Managed Loans .....	1
2.1.2. Managed Loans .....	2
2.2. Managed Bankruptcy .....	5
2.2.1. Receivership of Furniture King, et al. ....	5
2.3. Claims against the Chittick Estate .....	6
2.4. Investor Communications .....	7
<b>3. Managed Fraud Investigation .....</b>	<b>7</b>
3.1. The First Fraud .....	7
3.2. The Second Fraud .....	9
<b>4. Solvency Analysis .....</b>	<b>10</b>
<b>5. DenSco Became a Ponzi Scheme .....</b>	<b>11</b>
<b>6. Modified Net Investment Analysis .....</b>	<b>12</b>
6.1. Estimated Investor Recoveries .....	12
<b>7. Receivership Accounting .....</b>	<b>13</b>
7.1. Collections to Date .....	13
7.1.1. Marilyn Property Proceeds Received from Easy Investments .....	14
7.1.2. Miscellaneous Furniture King, et al. Income .....	14
7.1.3. DenSco Office Furniture Sale Proceeds .....	14
7.2. Disbursements to Date .....	14
7.2.1. Professional Fees .....	15

**LIST OF EXHIBITS**

Exhibit 1 .....	Solvency Analysis
Exhibit 2 .....	Investor Analysis

## **1. Background and Appointment of the Receiver**

DenSco Investment Corporation (“DenSco”) is an Arizona corporation formed by Denny Chittick (“Chittick”) in April 2001.<sup>1</sup> Since at least 2009, DenSco was engaged primarily in funding the purchase of real estate secured by deeds of trust using money raised from investors.<sup>2</sup> DenSco issued Confidential Private Offering Memoranda (“POM”) to investors before or at the time of their investments.<sup>3</sup> DenSco represented to investors that DenSco would maintain a maximum loan-to-value ratio (“LTV”) of 70%, and that all loans would be secured by first position deeds of trust.<sup>4</sup>

On August 18, 2016, Peter Davis (“Receiver”) was appointed Receiver for the assets of DenSco by the Honorable Lori Horn Bustamante of the Maricopa County Superior Court. The Receiver issued his Preliminary Report to the Court on September 19, 2016. Simon hereby incorporates all of the background information, opinions, conclusions, and other information contained therein in this report. Unless otherwise defined herein, capitalized terms shall retain the meanings set forth in the Receiver’s Preliminary Report. The Receiver’s analyses are ongoing; therefore, information contained herein is preliminary and tentative, and subject to change.

## **2. Receivership Activities**

### **2.1. Administration of the DenSco Loan Portfolio**

The Receiver has segregated the DenSco loan portfolio into two categories, including (1) loans to Menaged and his entities, Easy and AHF; and (2) loans to all other borrowers. Hereinafter, loans to Easy and AHF are referred to interchangeably as Menaged loans. The status of the non-Menaged loans and the Menaged loans is discussed in detail below.

#### **2.1.1. Non-Menaged Loans**

The Receiver has received numerous requests for payoff statements from various DenSco borrowers. From the inception of the receivership through the date of this report, twenty-nine (29) loans have been paid off. The Receiver has recovered a total of \$3,996,796.33 in loan payoff proceeds, including \$3,898,055.81 in principal and \$98,740.52 in interest payments and fees. The Receiver has also collected additional DenSco loan interest payments totaling \$84,949.00, resulting in total collections of \$4,081,745.33 from the non-Menaged loans.

After negotiations with the borrower on Loan 4419 with a principal amount of \$250,000.00, the Receiver accepted a short sale of the property, which resulted in net proceeds of \$230,096.98 to the receivership. The borrower sold the property for \$215,000.00 and agreed to pay an additional \$25,000.00 at closing. Real estate commissions and closing costs reduced the net proceeds from \$240,000.00 to \$230,096.98. The Receiver determined that a short sale was in the

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<sup>1</sup> Arizona Corporation Commission report for file no. 09874884.

<sup>2</sup> CV 2016-014142; Verified Complaint; page 2, paragraph 6.

<sup>3</sup> CV 2016-014142; Verified Complaint; page 2, paragraph 7.

<sup>4</sup> CV 2016-014142; Verified Complaint; page 2, paragraphs 8-10.

best interests of the receivership estate because the characteristics of the underlying property made it very difficult to locate interested buyers, and the resulting loss likely would have been greater had the Receiver foreclosed on the property. The short sale proceeds received from this property are included in the total payoff proceeds reported above.

The Receiver continues to monitor and service the remaining eighteen (18) non-Menaged loans in DenSco's loan portfolio with a principal balance of \$1,597,475.56, including collecting monthly interest payments, following up with borrowers who fail to make timely interest payments, providing borrowers with payoff statements, and conducting other loan administration activities as needed

### 2.1.2. Menaged Loans

As discussed in the Receiver's Preliminary Report, approximately 92% of DenSco's loans receivable (as of the date of the receivership) are due from Menaged or his related companies. The Menaged loans include eighty-seven (87) loans to AHF, two (2) loans to Easy, one (1) loan to Menaged's mother, Michelle Menaged, and one (1) loan to Menaged's brother, Jess Menaged. In summary, DenSco's loan portfolio includes ninety-one (91) Menaged loans totaling \$43,947,819.61. However, as discussed in detail in **Section 3.2** below, only five (5) of these loans are secured by real property, as the remaining loans were made on properties that neither Menaged nor his entities actually purchased. The five (5) loans secured by real property are summarized as follows:

**Table 1:  
Menaged Loans Secured by Real Property**

Loan No.	Borrower	Property Address	Amount
3736	Michelle Menaged	9103 E Charter Oak Dr	\$ 400,000.00
3828	Yomtov Scott Menaged	1605 W Winter Dr	477,352.68
3883	Easy Investments, LLC	9555 E Raintree Dr #1004	152,000.00
3885	Jess Menaged	9555 E Raintree Dr #1020	76,827.14
4604	Arizona Home Foreclosures, LLC	707 E Potter Dr	170,000.00
<b>Total:</b>			<b>\$ 1,276,179.82</b>

#### 2.1.2.1 Loan 3736 – 9103 East Charter Oak Drive

On October 12, 2012, DenSco loaned Michelle Menaged \$400,000.00 evidenced by a promissory note secured by a deed of trust on the property located at 9103 East Charter Oak Drive ("Charter Oak Property").<sup>5</sup> However, the property is also subject to a senior position lien in the principal amount of \$476,000.00 due to US Bank, NA.<sup>6</sup> On November 3, 2016, The Receiver advised US Bank, NA in writing of the stay imposed by the Receivership Order.

The Receiver sent a Notice of Default to Michelle Menaged on September 22, 2016 demanding repayment of the total principal, interest, and other amounts due pursuant to the promissory note.

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<sup>5</sup> Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20120935712).

<sup>6</sup> Deed of Trust (Maricopa County recorded document no. 20040204287) and Corporate Assignment of Deed of Trust (Maricopa County recorded document no. 20160263965).



In response, the Receiver received a copy of the default notice with handwritten notation that the “loan was paid off.” The note was not signed, and the envelope did not contain a return address. The Receiver sent a follow-up letter on October 18, 2016, requesting evidence that the loan was paid off but did not receive a response.

Accordingly, on October 20, 2016, the Receiver executed a Notice of Substitution of Trustee and a Statement of Breach or Non-Performance and Election to Sell Under Deed of Trust. The Receiver’s foreclosure counsel filed a Notice of Trustee’s Sale on December 5, 2016.<sup>7</sup> The Trustee’s Sale is scheduled to occur on March 7, 2017.

#### **2.1.2.2 Loan 3736 – 1605 West Winter Drive**

On November 13, 2012, DenSco loaned Menaged \$300,000.00 evidenced by a promissory note secured by a deed of trust on the property located at 1605 West Winter Drive (“Winter Property”).<sup>8</sup> On February 6, 2014, DenSco loaned Menaged an additional \$177,352.68 secured by the Winter Property,<sup>9</sup> for a total of \$477,352.68. However, the property is also subject to a senior position lien in the principal amount of \$250,000.00 due to PAJ Fund, LLC (“PAJ”).<sup>10</sup> The Receiver is conducting ongoing investigations and negotiations with PAJ to address the senior position lien.

On June 17, 2016, Jill H. Ford, the Chapter 7 Panel Trustee appointed to oversee Menaged’s bankruptcy, filed a notice of the Trustee’s intent to abandon the Winter Property.

On November 20, 2016, the Receiver executed a Notice of Substitution of Trustee and a Statement of Breach or Non-Performance and Election to Sell under Deed of Trust. The Receiver’s foreclosure counsel filed a Notice of Trustee’s Sale on November 22, 2016.<sup>11</sup> The Trustee’s Sale is scheduled to occur on February 21, 2017.

The Receiver confirmed that Menaged’s insurance on the Winter Property had lapsed. Accordingly, in order to protect DenSco’s interest in the property, the Receiver disbursed \$2,737.00 to Hassett Insurance, Inc. on November 10, 2016 to bind insurance coverage.

#### **2.1.2.3 Loan 3883 – 9555 East Raintree Drive, Unit 1004**

On December 13, 2012, DenSco loaned Easy \$120,000.00 evidenced by a promissory note secured by a deed of trust on the property located at 9555 East Raintree Drive, Unit 1004 (“Raintree Unit 1004”).<sup>12</sup> On February 5, 2014, DenSco loaned Menaged an additional \$32,000.00 secured by Raintree Unit 1004,<sup>13</sup> for a total of \$152,000.00. However, the property

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<sup>7</sup> Notice of Trustee’s Sale (Maricopa County recorded document no. 20160893291).

<sup>8</sup> Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20121029407).

<sup>9</sup> Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20140081791).

<sup>10</sup> Deed of Trust (Maricopa County recorded document no. 20090354620) and Assignment of Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20160313920).

<sup>11</sup> Notice of Trustee’s Sale (Maricopa County recorded document no. 20160863308).

<sup>12</sup> Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20121137660).

<sup>13</sup> Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20140078275).

is also subject to a senior position lien in the principal amount of \$250,000.00 due to Argent Mortgage Company, LLC ("Argent").<sup>14</sup> On November 16, 2016, The Receiver advised Western Progressive Arizona, Inc., the Trustee under the Argent deed of trust,<sup>15</sup> in writing of the stay imposed by the Receivership Order.

On October 17, 2016, the Receiver executed a Notice of Substitution of Trustee and a Statement of Breach or Non-Performance and Election to Sell under Deed of Trust. The Receiver's foreclosure counsel filed a Notice of Trustee's Sale on November 2, 2016.<sup>16</sup> The Trustee's Sale is scheduled to occur on February 1, 2017.

#### **2.1.2.4 Loan 3885 – 9555 East Raintree Drive, Unit 1020**

On December 12, 2012, DenSco loaned Jess Menaged \$100,000.00 evidenced by a promissory note secured by a deed of trust on the property located at 9555 East Raintree Drive, Unit 1020 ("Raintree Unit 1020").<sup>17</sup> On February 5, 2014, DenSco loaned Easy<sup>18</sup> an additional \$52,000.00 secured by Raintree Unit 1020,<sup>19</sup> for a total of \$152,000.00. However, the property is also subject to a senior position lien in the principal amount of \$180,000.00 due to Nationstar Mortgage, LLC.<sup>20</sup>

The Receiver sent a Notice of Default to Jess Menaged on September 16, 2016, demanding repayment of the total principal, interest, and other amounts due pursuant to the promissory note but did not receive a response. Accordingly, on November 7, 2016, the Receiver executed a Notice of Substitution of Trustee and a Statement of Breach or Non-Performance and Election to Sell under Deed of Trust.

The Receiver has since determined that the balance of the senior lien and an additional lien claimed by the homeowner's association exceed the value of the property. Accordingly, the Receiver does not intend to commence with the foreclosure. However, the Receiver is evaluating potential legal claims against Jess Menaged for the amounts owed to DenSco under the promissory notes.

#### **2.1.2.5 Loan 4604 – 707 East Potter Drive**

On September 25, 2013, DenSco loaned AHF \$170,000.00 evidenced by a promissory note secured by a deed of trust on the property located at 707 East Potter Drive ("Potter Property").<sup>21</sup>

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<sup>14</sup> Deed of Trust (Maricopa County recorded document no. 20031616790).

<sup>15</sup> Substitution of Trustee (20160384486).

<sup>16</sup> Notice of Trustee's Sale (Maricopa County recorded document no. 20160807170).

<sup>17</sup> Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20121137668).

<sup>18</sup> It is unclear why the first loan was made to Jess Menaged and the second loan was made to Easy Investments, LLC.

<sup>19</sup> Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20140076570).

<sup>20</sup> Deed of Trust (Maricopa County recorded document no. 20070103932), Corporate Assignment of Deed of Trust (Maricopa County recorded document no. 20120786945), and Corporate Assignment of Deed of Trust (Maricopa County recorded document no. 20150615324).

<sup>21</sup> Deed of Trust and Assignment of Rents (Maricopa County recorded document no. 20150437867).

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On October 27, 2016, the Receiver sent a letter to AHF (c/o Menaged) notifying AHF of the default. On November 10, 2016, the Receiver filed a motion with the Bankruptcy Court seeking to lift the automatic bankruptcy stay to permit the Receiver to foreclose the lien of its deed of trust on the Potter property. The Bankruptcy Court entered an order lifting the automatic bankruptcy stay on November 30, 2016.

On November 2, 2016, the Receiver executed a Notice of Substitution of Trustee, and on December 7, 2016, the Receiver executed a Statement of Breach or Non-Performance and Election to Sell under Deed of Trust. The Receiver's foreclosure counsel is in the process of preparing a Notice of Trustee's Sale for the Potter Property.

## **2.2. Menaged Bankruptcy**

On August 22, 2016, the Receiver filed a motion for a Rule 2004 examination [a deposition] of Menaged and seeking a production of documents related to Menaged's business relationships with DenSco. The Receiver conducted a Rule 2004 examination of Menaged on October 20, 2016. The transcript from this deposition has been posted to the receivership website. As set forth in more detail below, the Receiver continues to perform a comprehensive investigation into the activities of Menaged and his associates with respect to their business relationships with DenSco.

The Receiver has obtained an extension to file a complaint under 11 U.S.C. § 523 against Menaged until January 31, 2017. This extension has enabled the Receiver to continue his investigation and explore all possible resolutions of the issues relating to the discharge of DenSco's debt in Menaged's bankruptcy case.

On December 14, 2016, Ilene J. Lashinsky, the United States Trustee for the District of Arizona, filed a Complaint to Deny Discharge Under 11 U.S.C § 727 against Menaged seeking to have all of the debts owed by Menaged to be deemed non-dischargeable under Federal Bankruptcy law.

### **2.2.1. Receivership of Furniture King, et al.**

On September 19, 2016, the Court entered an Order placing Furniture King, et al. into receivership. Shortly thereafter, the Receiver gained access to two (2) retail stores, one located on West Bell Road in Glendale, Arizona, and another located on West Van Buren Road in Goodyear, Arizona. The assets contained in these stores have since been consolidated into a single warehouse located on 27<sup>th</sup> Avenue in Phoenix, Arizona. In addition, the Receiver took possession and control of the existing warehouse located on 45<sup>th</sup> Avenue in Phoenix, Arizona. The Receiver's staff has prepared detailed inventories of the assets contained in the warehouses.

The Receiver has determined that he has possession and control of approximately 5,766 pieces of consumer furniture and related décor with a wholesale value of approximately \$1,000,000.00 and a liquidation value between \$275,000.00 and \$360,000.00.

As of the date of this report, the Receiver has disbursed a total of \$80,585.62 to marshal and protect the assets of Furniture King, et al., including (1) \$26,659.00 in rent to Predio Management, LLC for the 27<sup>th</sup> Avenue warehouse; (2) \$24,851.12 in rent to SBMC Van Buren

Industrial, LLC for the 45<sup>th</sup> Avenue warehouse; (3) \$24,613.50 to Atlantic Relocation Systems to relocate the furniture assets from the Glendale and Goodyear stores to the 27<sup>th</sup> Avenue warehouse; and (4) \$4,462.00 to Seneca Insurance Company, Inc. for insurance on the furniture assets held at all locations.

Additional actions taken by the Receiver with regard to the Furniture King, et al. assets, as well as the plan to liquidate the assets for the benefit of Furniture King's creditors (including DenSco), are discussed in detail in the Receiver's Petition for Approval of Procedures for the Sale of Furniture King Assets, which was filed with the Court on December 21, 2016 and subsequently posted on the receivership website.

### **2.3. Claims against the Chittick Estate**

On December 9, 2016, the Receiver filed a Notice of Claim against Estate of Denny J. Chittick ("Notice of Claim") in the Chittick probate matter. The Receiver's Notice of Claim is posted on the receivership website. The Receiver's preliminary analyses indicate that the Chittick Estate is indebted to the Receiver in the amount of \$46,811,635.54 as a result of the following:

- The frauds perpetrated by Menaged against DenSco due to Chittick's failure to institute or follow proper management and control of DenSco's business operations.
- Cash distributions to Chittick, wages paid to Chittick's minor children, the withdrawal of Chittick's 401(k) Plan investor balance, and the withdrawal of Chittick's Defined Benefit Plan investor balance at a time when DenSco was insolvent or would soon become insolvent or unable to pay its debts as they came due.

Given the complexity of the issues surrounding DenSco and the Receiver's ongoing investigations into DenSco and its business operations, the Receiver believes further discovery into the actions or omissions of Chittick may expose additional potential claims and/or monetary damages against the Chittick Estate. Accordingly, the Receiver may amend the Notice of Claim if and when new information is discovered.

On December 16, 2016, the Receiver filed a petition for an order approving the engagement of special counsel, TJ Ryan of Frazer Ryan Goldberg & Arnold, LLP, to assist the Receiver in the investigation and prosecution of DenSco's creditor claims against the Chittick Estate and to provide advice and counsel regarding the probate and trust issues surrounding the Chittick Estate.

In addition, on December 22, 2016, the Receiver filed a petition for an order approving the engagement of special counsel, Marvin "Bucky" Swift, Jr. ("Swift") of Snell & Wilmer, LLP, to assist the Receiver in the investigation and prosecution of DenSco's creditor claims against the Chittick Estate pertaining to Chittick's 401(k) Plan and Chittick's Defined Benefit Plan. Swift will serve as special counsel to the Receiver with respect to the Employee Retirement Income Security Act of 1974 ("ERISA") and related litigation issues.

The Receiver's claims with regard to Chittick's 401(k) Plan and Chittick's Defined Benefit Plan are discussed in detail in **Section 4.1** of the Receiver's Preliminary Report and in the Receiver's Notice of Claim.

## **2.4. Investor Communications**

On September 20, 2016, the Receiver sent an email update to all investors, which included (1) the Receiver's Preliminary Report and the corresponding petition; (2) the stipulated consent to an order placing Furniture King, et al. into receivership; and (3) the order placing Furniture King, et al. into receivership.

On October 21, 2016, the Receiver held an in-person meeting with investors in order to provide a more comprehensive update of the DenSco receivership. Approximately 40 investors attended the meeting in person, while several others listened in by telephone. The Receiver provided detailed meeting notes to all investors via email on November 22, 2016.

On November 21, 2016, after receiving numerous investor inquiries regarding the claims bar date in the Chittick probate matter, the Receiver sent an email to all investors advising them that the Receiver intended to file a timely claim against the Chittick Estate or enter into an agreement with the estate to extend or continue the deadline to file a claim.

The Receiver sent an additional email update to all investors on November 23, 2016. In this email, the Receiver provided (1) a summary of the collections to date; (2) a link to the investor meeting notes and exhibits posted on the receivership website; (3) the status of the Menaged bankruptcy and investigation; (4) the status of the Furniture King, et al. receivership; and (5) the anticipated timing of future reports to be issued by the Receiver.

In addition to the investor communications discussed above, the Receiver continues to update the receivership website at [denscoreceiver1.godaddysites.com](http://denscoreceiver1.godaddysites.com). Visitors to DenSco's original website ([denscoinvestment.com](http://denscoinvestment.com)) are automatically redirected to the receivership website. The receivership website is regularly updated to include links to both historical and recent Court filings in the Receivership proceeding, the Chittick probate proceeding, and the Menaged bankruptcy proceeding.

## **3. Menaged Fraud Investigation**

The Receiver's investigation into the loan transactions between DenSco and Menaged indicates that Menaged perpetrated two distinct fraudulent schemes against DenSco, each of which is described in detail below.

### **3.1. The First Fraud**

Sometime in 2011 or 2012, Menaged began requesting loans from DenSco for properties on which he had also solicited other lenders for loans. In an effort to deceive both lenders, Menaged essentially obtained two loans on hundreds of properties with the lenders believing that they were in first position. These loans are those that led to the execution of the Forbearance Agreement in April 2014 (See the Receiver's Preliminary Report, **Section 2.2.3**). According to the Forbearance Agreement, Menaged met with Chittick on or about November 27, 2013 to inform him that certain properties had been used as security for one or more loans from one or



more other lenders, and that the DenSco loans may not be in the first lien position on these properties.<sup>22</sup> In many cases, the other lenders had issued checks directly to the trustee for the purchase of a property at a trustee's sale, which was the basis for their senior lien on the property, whereas, DenSco wired funds directly to Easy or AHF.

Based on Menaged's testimony during the Rule 2004 examination<sup>23</sup> as well as email correspondence between Chittick and Menaged, the Receiver understands that Menaged misled Chittick to believe that Menaged's "cousin" had requested the loans from the third party lenders without Menaged's knowledge, and that the cousin had absconded with the proceeds from these fraudulent loans. However, Menaged has testified that the "cousin" did not exist and that Menaged was responsible for the fraudulent loans. The Receiver refers to this fraud scheme perpetrated by Menaged as the "First Fraud."

For example, on August 17, 2012, Menaged purchased the property at 20802 North Grayhawk Drive, Unit 1076, ("Grayhawk Property") for \$274,100.00 at a trustee's sale.<sup>24</sup> Menaged obtained a loan of \$264,100.00 from third party lender, Active Funding Group, LLC ("Active"), to purchase the property.<sup>25</sup> On August 17, 2012, Menaged sent an email to Chittick indicating he had purchased the property and requesting a loan in the amount of \$250,000.00. DenSco wired \$250,000.00 to Easy's bank account on August 20, 2012. However, Menaged had already used the property to secure a \$264,100.00 loan from Active. The Receiver has not identified any evidence indicating that DenSco was aware of Active's loan on the Grayhawk Property. According to documents located by the Receiver, Menaged estimated the value of the Grayhawk Property to be \$380,000.00 as of the purchase date. Therefore, based on Menaged's own estimation of value, the Grayhawk Property was over-encumbered by approximately \$144,100 as of August 2012 due to the fraud perpetrated by Menaged.

The DenSco records analyzed to date indicate that on December 13, 2013, DenSco began to loan Menaged additional funds to repay the third party lenders. The Receiver determined that when Menaged sold a property for less than the total of the DenSco loan and the third party loan, DenSco began paying the deficit and allocated the overage to other properties that had not yet sold or classified the additional loans as "workout" loans.

For Example, on January 30, 2014, DenSco wired \$169,474.60 to Magnus Title to cover the deficit that Menaged owed on another property (2507 West Bent Tree Drive), and the overage of \$116,474.60 was allocated to the Grayhawk Property, increasing the total due to DenSco on the Grayhawk Property to \$366,474.60. When the Grayhawk Property was sold in July 2014, DenSco wired \$348,873.28 to cover the deficit on the property. The \$348,873.28 overage was not allocated to another property, but was instead entered into DenSco's books as an unsecured receivable due from Menaged, under the category "Work Out 5 Million."

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<sup>22</sup> Forbearance Agreement, Section G (ACC000236).

<sup>23</sup> Transcript from the 10/20/16 Rule 2004 Examination of Scott Menaged: pages 81-82, 89.

<sup>24</sup> Trustee's Deed Upon Sale (Maricopa County recorded document no. 20120866188).

<sup>25</sup> Notice of Deed of Trust with Assignment of Rents (Maricopa County recorded document no. 20120773674).

As of the date of the receivership, DenSco's books and records report two (2) unsecured receivables due from Menaged, including \$13,336,807.24 classified as "Work Out 5 Million" and \$1,002,532.55 classified as "Work Out 1 Million," for a total of \$14,339,339.79. The loans recorded in these workout loan categories relate to overages on properties that date back to August 2012 and the First Fraud through November 2013. All prior DenSco loans that may have been double-encumbered before August 2012 were paid off in full without causing any additional losses.

### 3.2. The Second Fraud

In January 2014, Menaged began requesting loans from DenSco for properties that neither Menaged nor his entities actually purchased at trustees' sales or otherwise. Based on analyses of various emails between Chittick and Menaged, the Receiver understands that after the First Fraud, Chittick began requiring Menaged to provide DenSco with copies of the cashier's checks issued to the trustees as well as copies of the receipts received from the trustee for the purchase of a property at a trustee's sale. This was presumably done to ensure that DenSco was the senior lienholder on all of its loans to Menaged, even though DenSco continued to wire funds to Easy or AHF instead of directly to the trustees. However, Menaged began providing Chittick with falsified trustee's sale receipts<sup>26</sup> and copies of checks that were never actually given to the trustees. Instead, most of the cashier's checks were deposited back to Easy or AHF bank accounts. The Receiver refers to this fraud scheme perpetrated by Menaged as the "Second Fraud."

Of the 2,712 loans that Menaged and his entities received from DenSco from January 2014 through June 2016, only ninety-six (96) of them were secured by the actual purchase of real estate. As shown in **Table 2** below, DenSco advanced a total of \$734,484,440.67 to Menaged for fraudulent loans resulting from the Second Fraud.

**Table 2:  
Summary of Menaged Loans  
January 2014 through June 2016**

Year	Purchased		Not Purchased	
	Amount	Count	Amount	Count
2014	\$ 15,001,843.42	96	\$ 181,058,229.00	803
2015	-	-	361,021,611.67	1,316
2016	-	-	192,404,600.00	593
<b>Total</b>	<b>\$ 15,001,843.42</b>	<b>96</b>	<b>\$ 734,484,440.67</b>	<b>2,712</b>

On average, Menaged paid off the fraudulent loans plus 18% accrued interest within approximately three (3) weeks. Because Menaged was paying interest on these loans but was not actually making any money from the purchase and sale of real estate, the number and frequency of the fraudulent loans increased over time, which dramatically increased the principal loan

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<sup>26</sup> The Receiver believes Menaged provided the false trustee's sale receipts to DenSco; however, Menaged testified that he did not send DenSco the trustee's sale receipts and didn't know that they were being sent. Menaged further testified that they must have been sent by his employee, Veronica Castro Gutierrez. See the transcript from the 10/20/16 Rule 2004 Examination of Scott Menaged; pages 171-174.

balance due to DenSco. The records analyzed to date indicate that Menaged essentially obtained new loans from DenSco in order to repay DenSco the principal and interest due on the older loans.

As of the date of the receivership, DenSco's balance sheet reported eighty-four (84) loans totaling \$28,332,300.00 due from Menaged for properties that neither Menaged nor his entities actually purchased.

#### **4. Solvency Analysis**

The Receiver analyzed DenSco's balance sheet in light of the information presented above regarding the First Fraud and Second Fraud perpetrated by Menaged to determine when DenSco's liabilities exceeded its assets. The Receiver made the following adjustments to DenSco's balance sheet to properly account for the disposition of the Menaged loans (See **Exhibit 1**).

##### ***Adjustment for the First Fraud***

As a result of the First Fraud, DenSco's balance sheet reported the Menaged loans as assets at their face value despite the fact that many of the underlying properties were double-encumbered and, in several cases, the property values were insufficient to repay both DenSco and the third party lenders. Accordingly, for those properties where DenSco paid the deficit and classified the same as an unsecured "Work Out" loan, the Receiver reduced the balance sheet assets by the workout loan balance as of the date of DenSco's original loan(s) on the property.

For example, as discussed in **Section 3.1** above, DenSco loaned \$250,000.00 to Menaged for the Grayhawk Property on August 20, 2012, plus an additional \$116,474.60 on January 30, 2014. When the property was sold in July 2014, DenSco was repaid the principal balance of \$366,474.60, but paid the deficit of \$348,873.28, resulting in an unsecured workout loan of \$348,873.28. Accordingly, the Receiver adjusted DenSco's balance sheet to exclude the \$250,000.00 Grayhawk loan asset as of the original loan date of August 20, 2012. The Receiver further adjusted DenSco's balance sheet to exclude \$98,873.28<sup>27</sup> of the additional \$116,474.60 loan asset as of January 30, 2014. Thus, the Grayhawk Property transactions resulted in a total loss of \$348,873.28, of which \$250,000.00 was removed from the balance sheet effective August 20, 2012, and \$98,873.28 was removed from the balance sheet effective January 20, 2014.

##### ***Adjustment for the Second Fraud***

As a result of the Second Fraud, DenSco's balance sheet reported the Menaged loans as assets at their face value despite the fact that the underlying properties were never actually purchased by Menaged. Accordingly, the Receiver adjusted DenSco's balance

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<sup>27</sup> Total loss of \$348,873.28 minus \$250,000.00 previously accounted for equals \$98,873.28.



sheet to exclude the balance of Menaged loans on properties that were not purchased, since these loans are unsecured and therefore uncollectible.

As a result of these adjustments, DenSco's liabilities exceeded its assets at fair value by at least December 31, 2012 (See **Exhibit 1**). Because negative equity is a key indicator of insolvency, and because the losses resulting from the Menaged frauds increased exponentially from 2012 through 2016, it is reasonable to conclude that DenSco was insolvent as of December 31, 2012.

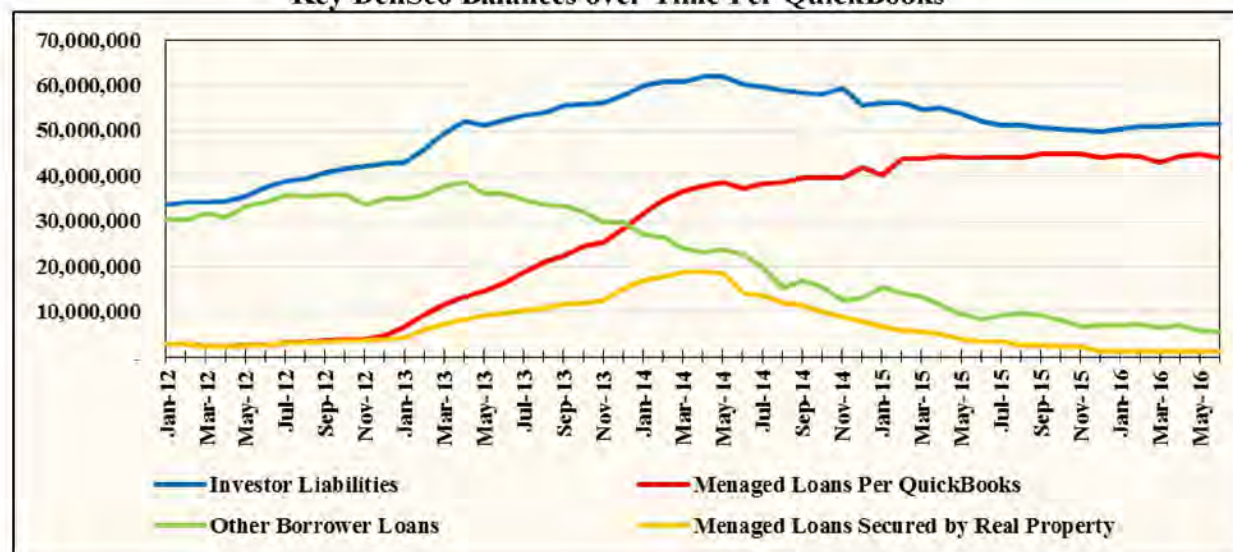
## 5. DenSco Became a Ponzi Scheme

As a result of the First Fraud and the Second Fraud, DenSco became insolvent as of December 31, 2012 and remained insolvent through June 30, 2016 (See **Exhibit 1**).

As the fraudulent Menaged loan balance increased, DenSco's valid hard money loans to third parties declined, and DenSco was no longer earning sufficient interest income to pay its investors. Because DenSco allowed Menaged's loan balance to continually increase over time, DenSco became a Ponzi scheme as it relied on payoffs and interest from third party borrowers and investor deposits of \$36,129,814.48 to pay principal and interest to investors totaling \$46,406,985.26 from the date of insolvency through June 30, 2016.<sup>28</sup>

As shown in **Chart 1** below, the Menaged loan balance increased dramatically while the third party loan balance decreased from 2012 to 2016. The balance due to investors (excluding Chittick) also increased by \$11,797,881.50 from the date of insolvency through June 30, 2016.

**Chart 1:**  
**Key DenSco Balances over Time Per QuickBooks**



<sup>28</sup> For the purposes of this discussion, the Receiver excluded the three (3) DenSco investment accounts held by Chittick.

## 6. Modified Net Investment Analysis

Many investors have inquired as to how to report their losses for tax purposes. *The Receiver is not a tax professional and is neither authorized nor qualified to provide investors with individual tax advice.* However, the IRS's website indicates that investors should refer to Revenue Ruling 2009-9 and Revenue Procedure 2009-20 for guidance on dealing with this issue. Revenue Ruling 2009-9 sets forth the IRS's view of the applicable tax law pertaining to an investor who loses money in a Ponzi scheme or other type of fraud. Revenue Procedure 2009-20 describes the proper income tax treatment for losses resulting from Ponzi and other investment schemes and provides a safe harbor under which qualifying taxpayers may deduct a substantial portion of their loss in the year in which the scheme was discovered.

There are multiple methods of calculating investor losses in investment fraud schemes. One method commonly used in receiverships is the net investment method, in which cash payments to investors are considered the return of principal. This method is consistent with the calculation of a theft loss described in Revenue Ruling 2009-9 and Revenue Procedure 2009-20. For the purposes of this discussion, the Receiver excluded the three (3) DenSco investment accounts held by Chittick.

Since DenSco was otherwise operating a functioning hard money lending business prior to the First Fraud, the Receiver proposes that accrued but unpaid interest dated prior to the date of insolvency should be considered principal, and any cash withdrawals after the date of insolvency should be considered the return of principal. Investor balances as of December 31, 2012 totaled \$39,790,901.56. DenSco paid out a net total of \$10,277,170.78 in cash to investors from January 1, 2013 forward.<sup>29</sup> See **Exhibit 2**.

Under this methodology, twenty-one (21) DenSco investors are net investment "winners" who received cash in excess of their net investment balance as of the date of insolvency. All of the net investment "winners" withdrew their investment balances during the period from the date of insolvency through June 30, 2016. In total, these net investment "winners" received \$2,397,734.99, while the 114 net investment "losers" have a combined net investment loss of \$31,911,465.77. See **Exhibit 2**.

### 6.1. Estimated Investor Recoveries

Both Revenue Ruling 2009-9 and Revenue Procedure 2009-20 require that investors account for potential recoveries that may offset a portion of their losses, including future recoveries received from the receivership.

As mentioned above, the net investment "losers" have a combined balance of \$31,911,465.77. Based on the funds recovered by the Receiver to date, the expenses incurred to date, and the Receiver's estimation of future recoveries, the Receiver anticipates distributing approximately 20% of the net investment losses incurred by net investment "losers." Investors should refer to

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<sup>29</sup> Withdrawals totaling \$46,406,985.26 minus deposits totaling \$36,129,814.48 equals \$10,277,170.78.



**Exhibit 2** to determine their net investment balance as calculated pursuant to the methodology discussed in **Section 6** above.

The Receiver is providing this estimate for investors' purposes based on the Receiver's knowledge as of the date of this report. The Receiver's estimate is based on the remaining DenSco loan portfolio as well as cash recovered and administrative expenses incurred to date. There are a significant number of moving parts and potential claims in this matter that prevent the Receiver from determining a more precise estimate of future recoveries and costs.

## 7. Receivership Accounting

As of the date of this report, the Receiver has collected a total of \$6,050,642.36 and has disbursed a total of \$407,811.48, resulting in a current balance of \$5,642,830.88 as summarized in **Table 3** below. Details of the cash collections and disbursements to date are provided below in **Section 7.1** and **Section 7.2** respectively.

**Table 3:**  
**Summary of Current Cash Balances**  
**As of December 23, 2016**

<b>Bank Account Description</b>	<b>Balance</b>
Wells Fargo Bank - Checking	\$ 702,042.26
Wells Fargo Bank - Savings	300,000.00
National Bank of Arizona - Money Market	240,007.43
Arizona Business Bank - Insured Cash Sweep	4,150,781.19
Arizona Business Bank - Checking	250,000.00
<b>Total Cash Balance</b>	<b>\$ 5,642,830.88</b>

### 7.1. Collections to Date

The Receiver has collected a total of \$6,050,642.36 on behalf of the DenSco Receivership Estate as of the date of this report, summarized as follows and discussed in detail below:

**Table 4:**  
**Summary of Cash Collections**  
**As of December 23, 2016**

<b>Description</b>	<b>Amount</b>	<b>Reference</b>
FirstBank Account Balance as of 08/18/16	\$ 1,380,653.91	Preliminary Report Section 3.1.1
Cash Collected from the Chittick Estate	551,140.00	Preliminary Report Section 3.1.2
Marilyn Property Proceeds Received from Easy Investments	35,066.73	See Section 7.1.1 below
Miscellaneous Furniture King, et al. Income	1,086.20	See Section 7.1.2 below
DenSco Office Furniture Sale Proceeds	31.87	See Section 7.1.3 below
Interest Income	918.32	
Loan Proceeds		
Payoff Proceeds - Principal	3,898,055.81	See Section 2.1.1 above
Payoff Proceeds - Interest & Fees	98,740.52	See Section 2.1.1 above
Additional Loan Interest	84,949.00	See Section 2.1.1 above
Subtotal Loan Proceeds	4,081,745.33	
<b>Total Cash Collected</b>	<b>\$ 6,050,642.36</b>	

#### **7.1.1. Marilyn Property Proceeds Received from Easy Investments**

As of the date that Menaged filed bankruptcy, Easy was the titled owner of the property located at 2048 East Marilyn Avenue (the "Marilyn Property"). Easy sold the property on approximately June 16, 2016, and Menaged deposited net proceeds of \$34,056.73 into a bank account in the name of Scott's Fine Furniture, and the funds were subsequently transferred to a bank account in the name of AHF. The AHF account was also used to hold rental income from the Marilyn Property and to pay related property expenses. Menaged transferred to his attorney's trust account the balance of \$35,066.73, which represents the net proceeds from the Marilyn Property.

Pursuant to the Forbearance Agreement discussed in the Receiver's Preliminary Report, AHF, Easy, Menaged, and Furniture King guaranteed approximately \$35 million in loans due from AHF and Easy. Accordingly, on November 23, 2016, the Receiver, Menaged, and the Chapter 7 Trustee stipulated to the release of the Marilyn Property proceeds to the Receiver. The Bankruptcy Court approved the stipulation shortly thereafter, and the funds were wired to the DenSco receivership account on November 29, 2016.

#### **7.1.2. Miscellaneous Furniture King, et al. Income**

The Receiver sent a demand letter instructing Chase Bank to turn over to the Receiver all funds held in Furniture King's pre-receivership bank account as of the date it was placed in receivership, or September 27, 2016. Accordingly, the Receiver received a cashier's check from Chase Bank in the amount of \$951.43 on December 7, 2016.

In addition, the Receiver received (1) a check payable to Furniture King in the amount of \$105.43 for a utility refund issued by the City of Glendale; and (2) a check payable to Scott's Fine Furniture in the amount of \$29.34 for an insurance refund issued by American Modern Select Insurance Company.

#### **7.1.3. DenSco Office Furniture Sale Proceeds**

The Receiver received a check in the amount of \$31.87 from the Chittick Estate representing the net proceeds from the sale of DenSco office furniture during the estate sale.

#### **7.2. Disbursements to Date**

The Receiver has disbursed a total of \$407,811.48 on behalf of the DenSco Receivership Estate as of the date of this report, summarized as follows:

**Table 5:  
Summary of Cash Disbursements  
As of December 23, 2016**

Description	Amount	Reference
Professional Fees (Aug-Sep 2016)		
Receiver's Firm - Simon Consulting, LLC	136,117.67	See Section 7.2.1 below
Receiver's Counsel - Guttilla Murphy Anderson, PC	138,164.47	See Section 7.2.1 below
Receiver's Counsel - Fredenberg Beams	5,091.40	See Section 7.2.1 below
Gammage & Burnham	42,302.25	See Section 7.2.1 below
Subtotal	321,675.79	
Miscellaneous Furniture King, et al. Expenses		
Warehouse Rent Expense	51,510.12	See Section 2.2.1 above
Furniture Moving Expenses	24,613.50	See Section 2.2.1 above
Insurance Expense	4,462.00	See Section 2.2.1 above
Subtotal	80,585.62	
Property Insurance Expense - Winter Property	2,737.00	See Section 2.1.2.2 above
Bank Service Charges & Wire Fees	2,269.07	
Bond Expense	500.00	
FirstBank Records Fee	44.00	
<b>Total Cash Disbursed</b>	<b>\$ 407,811.48</b>	

**7.2.1. Professional Fees**

Pursuant to the Court's order dated October 24, 2016 regarding Petition No. 5, the Receiver disbursed \$36,927.46 to the Receiver's firm, Simon Consulting, LLC, and \$60,050.62 to the Receiver's counsel, Guttilla Murphy Anderson, PC for fees incurred from August 19, 2016 through August 31, 2016.

Pursuant to the Court's order dated December 13, 2016 regarding Petition No. 6, the Receiver disbursed \$99,190.21 to Simon Consulting, LLC and \$78,113.85 to Guttilla Murphy Anderson, PC for fees incurred during September 2016.

Pursuant to the Court's order dated October 13, 2016 regarding Petition No. 4, which authorized the Receiver to engage the law firm of Fredenberg Beams to provide foreclosure services, the Receiver has disbursed \$5,091.40 to Fredenberg Beams for fees incurred from October 13, 2016 through November 30, 2016.

Pursuant to the Court's order dated December 13, 2016 regarding Petition No. 7, the Receiver disbursed \$42,302.25 to Gammage & Burnham, PLC for fees incurred from August 12, 2016 through November 2, 2016 for work related to the recovery, analysis, and production of records to the ACC and the Receiver.

  
\_\_\_\_\_  
Peter S. Davis, Receiver  
Simon Consulting, LLC

December 23, 2016  
\_\_\_\_\_  
Date



Simon Consulting, LLC  
Arizona Corporation Commission v. DenSeo Investment Corporation

DenSeo Investment Corporation  
Solvency Analysis

Exhibit 1

	01/31/12	02/29/12	03/31/12	04/30/12	05/31/12	06/30/12	07/31/12	08/31/12	09/30/12	10/31/12	11/30/12	12/31/12
<b>ASSETS</b>												
Current Assets												
Checking/Savings	834,526	1,107,357	497,731	1,590,614	127,190	1,215,122	596,848	1,132,173	2,053,469	2,535,561	5,517,072	3,177,858
Accounts Receivable												
Other Borrowers	30,192,581	30,357,922	31,705,696	30,954,196	33,184,524	34,149,787	35,795,597	35,522,792	35,868,493	35,910,895	33,667,949	35,060,476
Yom Tov Scott Menaged												
Arizona Home Foreclosures, LLC	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale	-	-	-	-	-	-	-	-	-	-	-	-
Work Out 1 Million	-	-	-	-	-	-	-	-	-	-	-	-
Work Out 5 Million	-	-	-	-	-	-	-	-	-	-	-	-
Yom Tov Scott Menaged - Other	2,746,000	2,746,000	2,199,000	2,199,000	2,499,000	2,499,000	2,934,000	3,284,000	3,584,000	3,984,000	3,760,000	4,650,000
Total Yom Tov Scott Menaged	2,746,000	2,746,000	2,199,000	2,199,000	2,499,000	2,499,000	2,934,000	3,284,000	3,584,000	3,984,000	3,760,000	4,650,000
Total Accounts Receivable	32,938,581	33,103,922	33,904,696	33,153,196	35,683,524	36,648,787	38,729,597	38,806,792	39,452,493	39,894,895	37,427,949	39,710,476
Total Current Assets	33,773,107	34,211,280	34,402,427	34,743,810	35,810,714	37,863,909	39,326,445	39,938,964	41,505,962	42,430,456	42,945,021	42,888,334
Fixed Assets												
Syndication	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436
Total Fixed Assets	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436
Other Assets												
Investors Title Holdings, LLC	6,015	6,015	6,015	6,015	2,432	2,432	2,432	2,432	2,432	2,432	2,432	-
Total Other Assets	6,015	6,015	6,015	6,015	2,432	2,432	2,432	2,432	2,432	2,432	2,432	-
<b>TOTAL ASSETS</b>	<b>33,802,558</b>	<b>34,240,730</b>	<b>34,431,878</b>	<b>34,773,261</b>	<b>35,836,582</b>	<b>37,889,777</b>	<b>39,352,313</b>	<b>39,964,832</b>	<b>41,531,830</b>	<b>42,456,324</b>	<b>42,970,889</b>	<b>42,911,770</b>
<b>LIABILITIES &amp; EQUITY</b>												
Liabilities												
Current Liabilities												
Payroll Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Long Term Liabilities (Due to Investors)	33,681,511	34,038,939	34,115,073	34,533,978	35,584,388	37,489,088	38,818,638	39,293,008	40,710,720	41,546,959	42,043,098	42,570,837
Total Liabilities	33,681,511	34,038,939	34,115,073	34,533,978	35,584,388	37,489,088	38,818,638	39,293,008	40,710,720	41,546,959	42,043,098	42,570,837
Equity	121,047	201,791	316,805	239,283	252,194	400,689	533,675	671,824	821,110	909,365	927,791	340,933
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>33,802,558</b>	<b>34,240,730</b>	<b>34,431,878</b>	<b>34,773,261</b>	<b>35,836,582</b>	<b>37,889,777</b>	<b>39,352,313</b>	<b>39,964,832</b>	<b>41,531,830</b>	<b>42,456,324</b>	<b>42,970,889</b>	<b>42,911,770</b>
<b>EQUITY ADJUSTMENTS:</b>												
Add Back Payroll Liabilities (DES Refund):	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment for the First Fraud [1]:	-	-	-	-	-	-	-	(250,000)	(250,000)	(250,000)	(250,000)	(660,000)
Adjustment for the Second Fraud [1]:	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity Adjustment:	-	-	-	-	-	-	-	(250,000)	(250,000)	(250,000)	(250,000)	(660,000)
Adjusted Equity:	121,047	201,791	316,805	239,283	252,194	400,689	533,675	421,824	571,110	659,365	677,791	(319,067)

DenSeo Investment  
Corporation was insolvent  
as of December 31, 2012.

**Notes:**

[1] See Section 4 of the Receiver's Report dated December 22, 2016 for details regarding adjustments made to properly account for the disposition of the Menaged loans.

**Sources:**

QuickBooks company file for DenSeo Investment Corporation.

Miscellaneous public records research resources to determine purchase history of Menaged loans including the Maricopa County Assessor

(<http://mcassessor.maricopa.gov/>); Maricopa County Recorder (<https://recorder.maricopa.gov/reedocdata/>); and Zillow.com.

Miscellaneous property records located in records recovered from Furniture King, LLC, et al. furniture stores.

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Miscellaneous email correspondence between Denny Chittick and Yomtov Scott Menaged.

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DenSeo Investment Corporation  
Solvency Analysis

Exhibit I

	01/31/13	02/28/13	03/31/13	04/30/13	05/31/13	06/30/13	07/31/13	08/31/13	09/30/13	10/31/13	11/30/13	12/31/13
<b>ASSETS</b>												
Current Assets												
Checking/Savings	2,135,664	1,733,088	710,099	1,182,325	1,897,177	1,782,237	1,951,575	1,387,429	2,324,909	2,013,625	3,399,458	545,709
Accounts Receivable												
Other Borrowers	34,867,439	35,728,747	37,791,478	38,648,134	36,173,380	35,959,042	34,567,519	33,693,427	33,330,725	31,941,152	29,736,287	29,873,078
Yom Tov Scott Menaged												
Arizona Home Foreclosures, LLC	-	-	-	-	-	-	3,200,000	6,280,000	8,300,000	11,130,000	12,405,000	15,368,400
Wholesale	-	-	-	-	-	-	-	-	-	-	-	-
Work Out 1 Million	-	-	-	-	-	-	-	-	-	-	-	149,332
Work Out 5 Million	-	-	-	-	-	-	-	-	-	-	-	-
Yom Tov Scott Menaged - Other	6,573,000	9,273,000	11,688,000	13,258,000	14,518,000	16,183,000	15,454,000	14,754,000	14,082,000	13,384,000	12,974,000	12,937,000
Total Yom Tov Scott Menaged	6,573,000	9,273,000	11,688,000	13,258,000	14,518,000	16,183,000	18,654,000	21,034,000	22,382,000	24,514,000	25,379,000	28,454,732
Total Accounts Receivable	41,440,439	45,001,747	49,479,478	51,906,134	50,691,380	52,142,042	53,221,519	54,727,427	55,712,725	56,455,152	55,115,287	58,327,810
Total Current Assets	43,576,103	46,734,835	50,189,577	53,088,458	52,588,557	53,924,279	55,173,094	56,114,856	58,037,633	58,468,777	58,514,745	58,873,519
Fixed Assets												
Syndication	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436
Total Fixed Assets	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436
Other Assets												
Investors' Title Holdings, LLC	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>43,599,539</b>	<b>46,758,270</b>	<b>50,213,012</b>	<b>53,111,894</b>	<b>52,611,993</b>	<b>53,947,715</b>	<b>55,196,530</b>	<b>56,138,292</b>	<b>58,061,069</b>	<b>58,492,213</b>	<b>58,538,181</b>	<b>58,896,955</b>
<b>LIABILITIES &amp; EQUITY</b>												
Liabilities												
Current Liabilities												
Payroll Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Long Term Liabilities (Due to Investors)	43,055,136	46,099,278	49,407,473	51,981,583	51,172,405	52,356,973	53,338,484	53,995,911	55,712,504	55,896,328	56,155,280	57,825,449
Total Liabilities	43,055,136	46,099,278	49,407,473	51,981,583	51,172,405	52,356,973	53,338,484	53,995,911	55,712,504	55,896,328	56,155,280	57,825,449
Equity	544,402	658,992	805,540	1,130,312	1,439,588	1,590,743	1,858,046	2,142,381	2,348,565	2,595,884	2,382,901	1,071,507
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>43,599,539</b>	<b>46,758,270</b>	<b>50,213,012</b>	<b>53,111,894</b>	<b>52,611,993</b>	<b>53,947,715</b>	<b>55,196,530</b>	<b>56,138,292</b>	<b>58,061,069</b>	<b>58,492,213</b>	<b>58,538,181</b>	<b>58,896,955</b>
<b>EQUITY ADJUSTMENTS:</b>												
Add Back Payroll Liabilities (DES Refund):	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment for the First Fraud [1]:	(2,400,000)	(3,245,502)	(4,375,502)	(4,983,187)	(5,480,210)	(6,481,426)	(8,467,062)	(10,288,832)	(10,861,292)	(12,630,650)	(13,078,259)	(13,199,547)
Adjustment for the Second Fraud [1]:	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity Adjustment:	(2,400,000)	(3,245,502)	(4,375,502)	(4,983,187)	(5,480,210)	(6,481,426)	(8,467,062)	(10,288,832)	(10,861,292)	(12,630,650)	(13,078,259)	(13,199,547)
Adjusted Equity:	(1,855,598)	(2,586,510)	(3,569,962)	(3,852,875)	(4,040,622)	(4,890,683)	(6,609,016)	(8,146,451)	(8,512,727)	(10,034,766)	(10,695,358)	(12,128,041)

**Notes:**

[1] See Section 4 of the Receiver's Report dated December 22, 2016 for details regarding adjustments made to properly account for the disposition of the Menaged loans.

**Sources:**

QuickBooks company file for DenSeo Investment Corporation.

Miscellaneous public records research resources to determine purchase history of Menaged loans including the Maricopa County Assessor (<http://mcassessor.maricopa.gov/>); Maricopa County Recorder (<https://recorder.maricopa.gov/reedocdata/>); and Zillow.com.

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DenSeo Investment Corporation  
Solvency Analysis

Exhibit I

	01/31/14	02/28/14	03/31/14	04/30/14	05/31/14	06/30/14	07/31/14	08/31/14	09/30/14	10/31/14	11/30/14	12/31/14
<b>ASSETS</b>												
Current Assets												
Checking/Savings	2,144,154	776,696	812,743	1,626,379	475,928	1,693,559	3,092,088	6,829,812	3,789,810	5,360,448	9,737,810	4,466,764
Accounts Receivable												
Other Borrowers	26,957,137	26,384,441	24,103,024	23,257,823	23,735,293	22,644,621	19,747,739	15,283,803	16,848,672	15,461,331	12,361,009	13,018,319
Yom Tov Scott Menaged												
Arizona Home Foreclosures, LLC	16,553,952	18,143,445	19,382,242	19,945,885	20,394,230	20,125,966	20,792,426	20,826,135	21,641,635	22,066,792	22,602,142	7,076,756
Wholesale	-	-	-	-	-	-	-	-	-	-	795,700	18,577,900
Work Out 1 Million	915,168	915,168	915,168	1,002,533	1,002,533	1,002,533	1,002,533	1,002,533	1,002,533	1,002,533	1,002,533	1,002,533
Work Out 5 Million	-	100,000	1,256,857	2,469,369	4,040,133	5,145,368	6,030,530	6,948,698	8,215,574	8,395,747	8,684,724	9,368,013
Yom Tov Scott Menaged - Other	14,272,971	15,471,023	15,049,123	14,374,902	13,169,402	10,876,283	10,509,809	9,716,316	8,802,089	8,092,084	6,461,173	5,802,935
Total Yom Tov Scott Menaged	31,742,091	34,629,636	36,603,390	37,792,689	38,606,298	37,150,150	38,335,298	38,493,681	39,661,831	39,557,157	39,546,272	41,828,137
Total Accounts Receivable	58,699,228	61,014,078	60,706,414	61,050,512	62,341,591	59,794,771	58,083,037	53,777,485	56,510,503	55,018,488	51,907,281	54,846,456
Total Current Assets	60,843,382	61,790,774	61,519,158	62,676,891	62,817,519	61,488,330	61,175,125	60,607,297	60,300,312	60,378,936	61,645,091	59,313,220
Fixed Assets												
Syndication	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436
Total Fixed Assets	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436
Other Assets												
Investors' Title Holdings, LLC	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>60,866,817</b>	<b>61,814,210</b>	<b>61,542,593</b>	<b>62,700,327</b>	<b>62,840,955</b>	<b>61,511,766</b>	<b>61,198,560</b>	<b>60,630,733</b>	<b>60,323,748</b>	<b>60,402,371</b>	<b>61,668,527</b>	<b>59,336,656</b>
<b>LIABILITIES &amp; EQUITY</b>												
Liabilities												
Current Liabilities												
Payroll Liabilities	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
Total Current Liabilities	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
Long Term Liabilities (Due to Investors)	59,854,516	60,931,333	60,746,536	61,813,783	61,881,042	60,293,633	59,660,691	58,840,712	58,253,483	58,143,565	59,366,147	55,530,688
Total Liabilities	59,888,516	60,965,333	60,780,536	61,847,783	61,915,042	60,327,633	59,694,691	58,874,712	58,287,483	58,177,565	59,400,147	55,564,688
Equity	978,301	848,877	762,057	852,544	925,913	1,184,133	1,503,869	1,756,021	2,036,265	2,224,806	2,268,381	3,771,968
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>60,866,817</b>	<b>61,814,210</b>	<b>61,542,593</b>	<b>62,700,327</b>	<b>62,840,955</b>	<b>61,511,766</b>	<b>61,198,560</b>	<b>60,630,733</b>	<b>60,323,748</b>	<b>60,402,371</b>	<b>61,668,527</b>	<b>59,336,656</b>
<b>EQUITY ADJUSTMENTS:</b>												
Add Back Payroll Liabilities (DES Refund):	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
Adjustment for the First Fraud [1]:	(14,410,815)	(15,523,116)	(15,459,624)	(15,525,978)	(15,537,857)	(15,537,857)	(15,531,869)	(15,514,086)	(15,510,243)	(15,272,733)	(15,086,858)	(15,078,601)
Adjustment for the Second Fraud [1]:	(529,001)	(1,469,801)	(2,444,300)	(3,466,500)	(4,664,616)	(7,537,760)	(9,258,160)	(10,978,160)	(12,705,160)	(14,291,900)	(15,696,550)	(18,963,200)
Total Equity Adjustment:	(14,905,816)	(16,958,917)	(17,869,924)	(18,958,478)	(20,168,473)	(23,041,617)	(24,756,029)	(26,458,246)	(28,181,403)	(29,530,633)	(30,749,408)	(34,007,801)
Adjusted Equity:	(13,927,515)	(16,110,040)	(17,107,866)	(18,105,935)	(19,242,560)	(21,857,484)	(23,252,159)	(24,702,225)	(26,145,138)	(27,305,826)	(28,481,027)	(30,235,834)

Notes:

[1] See Section 4 of the Receiver's Report dated December 22, 2016 for details regarding adjustments made to properly account for the disposition of the Menaged loans.

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	01/31/15	02/28/15	03/31/15	04/30/15	05/31/15	06/30/15	07/31/15	08/31/15	09/30/15	10/31/15	11/30/15	12/31/15
<b>ASSETS</b>												
Current Assets												
Checking/Savings	4,449,910	2,647,930	1,998,867	2,987,908	4,167,473	4,086,679	2,746,084	2,138,218	1,802,291	2,526,986	3,620,213	3,303,028
Accounts Receivable												
Other Borrowers	15,464,876	13,942,446	13,177,358	11,423,929	9,476,099	8,352,113	9,137,109	9,662,805	9,214,367	8,073,640	6,754,055	6,875,896
Yom Tov Scott Menaged												
Arizona Home Foreclosures, LLC	6,317,257	7,738,519	7,144,038	6,471,175	5,216,525	4,408,840	3,282,241	2,507,052	2,487,052	2,190,171	2,190,171	1,606,180
Wholesale	17,703,800	20,169,600	20,818,200	22,078,500	23,271,650	24,120,800	25,215,400	26,232,300	27,301,500	27,862,300	27,835,200	28,067,700
Work Out 1 Million	1,002,533	1,002,533	1,002,533	1,002,533	1,002,533	1,002,533	1,002,533	1,002,533	1,002,533	1,002,533	1,002,533	1,002,533
Work Out 5 Million	9,946,199	10,342,530	11,318,176	11,623,142	12,540,211	13,322,783	13,892,847	14,171,007	13,786,807	13,736,807	13,736,807	13,336,807
Yom Tov Scott Menaged - Other	5,245,404	4,460,267	3,542,001	3,120,982	1,967,641	1,107,248	549,169	171,357	171,357	-	-	-
Total Yom Tov Scott Menaged	40,215,192	43,713,449	43,824,947	44,296,331	43,998,559	43,962,203	43,942,189	44,084,249	44,749,249	44,791,811	44,764,711	44,013,220
Total Accounts Receivable	55,680,068	57,655,895	57,002,305	55,720,261	53,474,658	52,314,316	53,079,298	53,747,053	53,963,615	52,865,451	51,518,766	50,889,115
Total Current Assets	60,129,978	60,303,825	59,001,172	58,708,169	57,642,131	56,400,995	55,825,382	55,885,271	55,765,907	55,392,437	55,138,979	54,192,143
Fixed Assets												
Syndication	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436
Total Fixed Assets	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436	23,436
Other Assets												
Investors' Title Holdings, LLC	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>60,153,414</b>	<b>60,327,260</b>	<b>59,024,608</b>	<b>58,731,605</b>	<b>57,665,566</b>	<b>56,424,431</b>	<b>55,848,817</b>	<b>55,908,707</b>	<b>55,789,342</b>	<b>55,415,873</b>	<b>55,162,414</b>	<b>54,215,579</b>
<b>LIABILITIES &amp; EQUITY</b>												
Liabilities												
Current Liabilities												
Payroll Liabilities	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	87,000
Total Current Liabilities	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	87,000
Long Term Liabilities (Due to Investors)	56,132,068	56,162,285	54,668,201	54,988,492	53,655,625	52,090,475	51,242,489	51,202,155	50,660,873	50,265,641	50,036,766	49,803,682
Total Liabilities	56,166,068	56,196,285	54,702,201	55,022,492	53,689,625	52,124,475	51,276,489	51,236,155	50,694,873	50,299,641	50,070,766	49,890,682
Equity	3,987,345	4,130,975	4,322,407	3,709,113	3,975,942	4,299,955	4,572,328	4,672,552	5,094,470	5,116,232	5,091,649	4,324,897
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>60,153,414</b>	<b>60,327,260</b>	<b>59,024,608</b>	<b>58,731,605</b>	<b>57,665,566</b>	<b>56,424,431</b>	<b>55,848,817</b>	<b>55,908,707</b>	<b>55,789,342</b>	<b>55,415,873</b>	<b>55,162,414</b>	<b>54,215,579</b>
<b>EQUITY ADJUSTMENTS:</b>												
Add Back Payroll Liabilities (DES Refund):	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
Adjustment for the First Fraud [1]:	(15,103,254)	(15,125,328)	(15,161,851)	(15,161,851)	(15,201,438)	(15,148,563)	(15,173,540)	(15,173,540)	(14,789,340)	(14,739,340)	(14,739,340)	(14,739,340)
Adjustment for the Second Fraud [1]:	(18,519,804)	(22,670,968)	(23,225,586)	(24,235,598)	(25,006,648)	(25,436,112)	(25,561,138)	(26,411,538)	(27,480,738)	(27,862,300)	(27,835,200)	(28,067,700)
Total Equity Adjustment:	(33,589,058)	(37,762,296)	(38,353,437)	(39,363,449)	(40,174,085)	(40,550,675)	(40,700,678)	(41,551,078)	(42,236,078)	(42,567,640)	(42,540,540)	(42,773,040)
Adjusted Equity:	(29,601,713)	(33,631,321)	(34,031,030)	(35,654,336)	(36,198,144)	(36,250,719)	(36,128,350)	(36,878,526)	(37,141,608)	(37,451,407)	(37,448,891)	(38,448,143)

**Notes:**

[1] See Section 4 of the Receiver's Report dated December 22, 2016 for details regarding adjustments made to properly account for the disposition of the Menaged loans.

**Sources:**

QuickBooks company file for DenSeo Investment Corporation.

Miscellaneous public records research resources to determine purchase history of Menaged loans including the Maricopa County Assessor (<http://mcassessor.maricopa.gov/>); Maricopa County Recorder (<https://recorder.maricopa.gov/reedocdata/>); and Zillow.com.

Miscellaneous property records located in records recovered from Furniture King, LLC, et al. furniture stores.

DenSeo Investment Corporation loan files.

Miscellaneous email correspondence between Denny Chittick and Yomtov Scott Menaged.

	01/31/16	02/29/16	03/31/16	04/30/16	05/31/16	06/30/16
<b>ASSETS</b>						
Current Assets						
Checking/Savings	3,029,611	3,938,967	6,026,170	4,203,609	4,916,221	6,029,569
Accounts Receivable						
Other Borrowers	7,030,672	7,193,702	6,388,431	6,785,021	5,720,197	5,567,534
Yom Tov Scott Menaged						
Arizona Home Foreclosures, LLC	1,486,180	1,465,380	1,486,180	1,486,180	1,486,180	1,486,180
Wholesale	28,843,100	28,449,900	27,154,300	28,553,700	29,123,500	28,122,300
Work Out 1 Million	1,002,533	1,002,533	1,002,533	1,002,533	1,002,533	1,002,533
Work Out 5 Million	13,336,807	13,336,807	13,336,807	13,336,807	13,336,807	13,336,807
Yom Tov Scott Menaged - Other	-	-	-	-	-	-
Total Yom Tov Scott Menaged	44,668,620	44,254,620	42,979,820	44,379,220	44,949,020	43,947,820
Total Accounts Receivable	51,699,291	51,448,322	49,368,250	51,164,240	50,669,217	49,515,354
Total Current Assets	54,728,902	55,387,289	55,394,421	55,367,850	55,585,438	55,544,923
Fixed Assets						
Syndication	23,436	23,436	23,436	23,436	23,436	23,436
Total Fixed Assets	23,436	23,436	23,436	23,436	23,436	23,436
Other Assets						
Investors' Title Holdings, LLC*	-	-	-	-	-	-
Total Other Assets	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>54,752,338</b>	<b>55,410,725</b>	<b>55,417,857</b>	<b>55,391,286</b>	<b>55,608,874</b>	<b>55,568,359</b>
<b>LIABILITIES &amp; EQUITY</b>						
Liabilities						
Current Liabilities						
Payroll Liabilities	87,000	87,000	34,000	34,000	34,000	34,000
Total Current Liabilities	87,000	87,000	34,000	34,000	34,000	34,000
Long Term Liabilities (Due to Investors)	50,349,904	51,020,207	51,032,155	51,264,570	51,512,310	51,588,783
Total Liabilities	50,436,904	51,107,207	51,066,155	51,298,570	51,546,310	51,622,783
Equity	4,315,434	4,303,518	4,351,702	4,092,715	4,062,564	3,945,576
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>54,752,338</b>	<b>55,410,725</b>	<b>55,417,857</b>	<b>55,391,286</b>	<b>55,608,874</b>	<b>55,568,359</b>
<b>EQUITY ADJUSTMENTS:</b>						
Add Back Payroll Liabilities (DES Refund):	34,000	34,000	34,000	34,000	34,000	34,000
Adjustment for the First Fraud [1]:	(14,739,340)	(14,739,340)	(14,739,340)	(14,739,340)	(14,739,340)	(14,739,340)
Adjustment for the Second Fraud [1]:	(28,843,100)	(28,437,300)	(27,154,300)	(28,553,700)	(29,123,500)	(28,122,300)
Total Equity Adjustment:	(43,548,440)	(43,142,640)	(41,859,640)	(43,259,040)	(43,828,840)	(42,827,640)
Adjusted Equity:	(39,233,006)	(38,839,121)	(37,507,938)	(39,166,324)	(39,766,276)	(38,882,064)

**Notes:**

[1] See Section 4 of the Receiver's Report dated December 22, 2016 for details regarding adjustments made to properly account for the disposition of the Menaged loans.

**Sources:**

QuickBooks company file for DenSeo Investment Corporation.

Miscellaneous public records research resources to determine purchase history of Menaged loans including the Maricopa County Assessor (<http://mcassessor.maricopa.gov/>); Maricopa County Recorder (<https://recorder.maricopa.gov/recooddata/>); and Zillow.com.

Miscellaneous property records located in records recovered from Furniture King, LLC, et al. furniture stores.

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Miscellaneous email correspondence between Denny Chittick and Yomtov Scott Menaged.



Simon Consulting, LLC  
Arizona Corporation Commission v. DenSco Investment Corporation

DenSco Investment Corporation  
Investor Analysis

Exhibit 2

	Investor Transactions Through 12/31/12					Investor Transactions from 01/01/13 through 06/30/16					Calculation of Net Investment Loss/(Win)		
			Non-Cash					Non-Cash			Pre-Insolvency		
Investor Name	Cash In	Cash Out	Accruals	Book Entries	Investor Balance	Cash In	Cash Out	Accruals	Book Entries		Balance (12/31/12)	Post-Insolvency Cash Transactions	Net Investment Loss/(Win)
Imdieke Revocable Trust / Brian Imdieke	3,500,000.00	(1,324,416.40)	1,324,416.40	-	3,500,000.00	3,600,000.00	(3,417,100.00)	2,217,100.00	-		3,500,000.00	182,900.00	3,682,900.00
Page, Jolene	1,900,000.00	-	157,401.30	-	2,057,401.30	150,000.00	(450,385.77)	1,079,025.26	-		2,057,401.30	(300,385.77)	1,757,015.53
Thompson, Conalee	1,260,000.00	-	500,100.09	-	1,760,100.09	-	(412,146.19)	822,866.39	-		1,760,100.09	(112,146.19)	1,347,953.90
Thompson, Gary	1,110,000.00	-	413,725.81	-	1,523,725.81	-	(334,443.11)	715,220.27	-		1,523,725.81	(334,443.11)	1,189,282.70
Hood, Craig	2,100,000.00	(867,037.53)	364,083.02	-	1,597,045.49	-	(604,123.93)	601,157.17	-		1,597,045.49	(604,123.93)	992,921.56
Marvin & Pat Miller 1989 Trust	465,000.00	(235,807.91)	85,807.91	-	315,000.00	1,215,000.00	(552,723.61)	537,723.61	-		315,000.00	662,276.39	977,276.39
Long Time Holdings, LLC / William Swirtz	1,630,000.00	(727,346.09)	727,346.09	-	1,630,000.00	-	(685,147.82)	685,147.82	-		1,630,000.00	(685,147.82)	944,852.18
Desert Classic Investments, LLC / Steven Burger	-	-	-	-	-	9,050,000.00	(8,144,182.42)	1,149,182.42	-		-	905,817.58	905,817.58
Siegford, GE	830,000.00	(428,244.98)	489,853.89	-	891,608.91	50,000.00	(261,503.87)	416,347.86	-		891,608.91	(211,503.87)	680,105.04
Hickman, Dale	325,250.00	(17,738.60)	279,865.77	-	587,377.17	152,000.00	(66,085.44)	346,108.67	-		587,377.17	85,914.56	673,291.73
Paxton, Valerie	1,396,667.74	(558,704.40)	166,892.79	-	1,004,856.13	-	(426,274.09)	426,274.10	-		1,004,856.13	(426,274.09)	578,582.04
Steven & Mary Burger Estate, LLC	-	-	-	-	-	795,000.00	(262,350.00)	262,350.00	-		-	532,650.00	532,650.00
Dupper Living Trust / Russ Dupper	-	-	-	-	-	800,000.00	(271,448.80)	271,448.80	-		-	528,551.20	528,551.20
Phalen Living Trust / Jeff Phalen	745,000.00	(495,812.02)	445,812.02	-	695,000.00	150,000.00	(323,566.80)	323,566.80	-		695,000.00	(173,566.80)	521,433.20
Chittick Family Trust / Mo & Sam Chittick	1,108,776.18	(1,336,688.21)	958,596.30	-	730,684.27	-	(241,500.00)	322,267.45	-		730,684.27	(241,500.00)	489,184.27
Davis, Glen	250,000.00	(44,348.64)	320,489.22	-	526,140.58	-	(60,728.58)	265,234.31	-		526,140.58	(60,728.58)	465,412.00
Michael & Diana Gumbert Trust	800,000.00	(739,242.64)	739,242.64	-	800,000.00	-	(336,000.00)	336,000.00	-		800,000.00	(336,000.00)	464,000.00
Burdett, Anthony - IRA	300,000.00	-	57,765.75	-	357,765.75	100,000.00	-	230,209.26	-		357,765.75	100,000.00	457,765.75
Burkhardt, Kernen - IRA	296,235.18	-	98,576.93	-	394,812.11	-	-	204,824.51	-		394,812.11	-	394,812.11
Phalen, Jeff - IRA	200,000.00	-	30,967.74	-	230,967.74	150,000.00	-	179,099.35	-		230,967.74	150,000.00	380,967.74
Scroggin, Michael - IRA	363,064.21	-	10,282.81	-	373,347.02	-	-	193,688.63	-		373,347.02	-	373,347.02
Hughes, Bill - IRA	332,700.00	(134,070.48)	364,997.61	-	563,627.13	25,500.00	(241,684.34)	241,684.34	-		563,627.13	(216,184.34)	347,442.79
Tranor, Jimmy	345,427.06	(5,000.00)	42,671.15	-	383,098.21	10,000.00	(67,483.87)	193,741.00	-		383,098.21	(57,483.87)	325,614.34
Weiskopf, Lamire - IRA	-	-	-	-	-	309,584.99	-	18,394.98	-		-	309,584.99	309,584.99
McArdle, James	380,000.00	(64,299.90)	106,509.57	-	422,209.67	150,000.00	(264,476.74)	235,048.50	-		422,209.67	(114,476.74)	307,732.93
Judy & Gary Siegford	485,000.00	(502,388.98)	532,072.96	-	514,683.98	-	(216,167.28)	216,167.28	-		514,683.98	(216,167.28)	298,516.70
Wayne Ledet Revocable Trust	145,000.00	(13,829.92)	32,230.07	-	163,400.15	188,038.58	(59,732.64)	104,510.38	-		163,400.15	128,305.94	291,706.09
Craig & Tommie Brown Living Trust	450,000.00	(96,983.33)	96,983.33	-	450,000.00	50,000.00	(208,316.73)	208,316.73	-		450,000.00	(158,316.73)	291,683.27
Hafiz, Nihad	1,200,000.00	(1,180,616.74)	480,616.74	-	500,000.00	-	(210,000.00)	210,000.00	-		500,000.00	(210,000.00)	290,000.00
Muscat Family Trust / Vince & Slurry Muscat	500,000.00	(508,099.96)	508,099.96	-	500,000.00	-	(210,000.00)	210,000.00	-		500,000.00	(210,000.00)	290,000.00
Butler, Mary - IRA	260,000.00	-	17,371.94	-	277,371.94	-	-	143,897.78	-		277,371.94	-	277,371.94
Butler, Van - IRA	260,000.00	-	17,371.94	-	277,371.94	-	-	143,897.78	-		277,371.94	-	277,371.94
Zones, Michael	450,000.00	(105,400.02)	105,400.02	-	450,000.00	50,000.00	(229,617.84)	229,617.84	-		450,000.00	(179,617.84)	270,382.16
Ledet, Wayne - IRA	300,000.00	(124,292.31)	86,806.24	-	262,513.93	-	-	136,189.54	-		262,513.93	-	262,513.93
Robert & Elizabeth Hului Family Trust	420,000.00	(313,113.48)	271,194.97	-	378,081.49	50,000.00	(167,500.00)	182,068.37	-		378,081.49	(117,500.00)	260,581.49
Kasner, Ralph - IRA	170,653.47	-	89,742.69	-	260,396.16	-	-	135,090.88	-		260,396.16	-	260,396.16
Moss, Kaylene - IRA	240,073.44	-	18,604.75	-	258,678.19	-	-	134,199.65	-		258,678.19	-	258,678.19
Kent, Mary	200,000.00	(50,333.30)	104,280.24	-	253,946.94	100,000.00	(99,720.86)	127,001.05	-		253,946.94	279.14	254,226.08
Arden & Nina Chittick Family Trust	200,000.00	(30,279.54)	144,890.62	-	314,611.08	-	(60,522.10)	157,488.01	-		314,611.08	(60,522.10)	254,088.98
Brinkman Family Trust / Rob Brinkman	240,000.00	(202,668.93)	243,117.44	-	280,448.51	250,000.00	(286,004.06)	127,814.91	-		280,448.51	(36,004.06)	244,444.45
Mark & Debbie Weng	262,000.00	(207,618.96)	281,732.31	-	336,113.35	50,000.00	(145,370.88)	159,733.18	-		336,113.35	(95,370.88)	240,742.47
Smith, Tony - IRA	171,182.72	-	66,695.50	-	237,878.22	-	-	123,408.82	-		237,878.22	-	237,878.22
James & Lesley Mc Coy Trust	400,000.00	(271,733.24)	271,733.24	-	400,000.00	-	(168,000.00)	168,000.00	-		400,000.00	(168,000.00)	232,000.00
Jones, Leslie - IRA / Michael Zones	151,215.34	-	33,005.34	-	184,220.68	47,558.77	-	116,190.04	-		181,220.68	47,558.77	231,779.45
Davis, Glen - IRA	110,731.40	-	110,233.61	-	220,965.01	-	-	114,634.43	-		220,965.01	-	220,965.01
Dori Ann Davis Living Trust	100,000.00	-	63,350.21	-	163,350.21	75,000.00	(21,648.57)	97,848.84	-		163,350.21	53,351.43	216,701.64
Tony & Sandra Smith Trust	1,100,000.00	(659,149.89)	459,149.89	-	900,000.00	-	(698,100.00)	298,100.00	-		900,000.00	(698,100.00)	201,900.00
Jones, Leslie / Michael Zones	300,000.00	(176,116.91)	176,116.91	-	300,000.00	-	(102,000.00)	102,000.00	-		300,000.00	(102,000.00)	198,000.00
Butler, Van	250,000.00	(71,195.65)	95,638.81	-	274,413.16	-	(91,772.64)	121,741.61	-		274,413.16	(91,772.64)	182,640.52
Caro McDowell Revocable Trust	200,000.00	(93,329.25)	93,329.25	-	200,000.00	100,000.00	(119,266.67)	119,266.67	-		200,000.00	(19,266.67)	180,733.33
Angels Investments, LLC / Yusef Yildiz	-	-	-	-	-	200,000.00	(20,630.00)	20,630.00	-		-	179,370.00	179,370.00
Koehler, Robert - IRA	84,000.00	-	92,335.49	-	176,335.49	-	-	91,481.01	-		176,335.49	-	176,335.49
Dirks, Bradley - IRA	-	-	-	-	-	175,437.55	-	81,727.95	-		-	175,437.55	175,437.55
Lee Group, Inc. / Terry & Lil Lee	300,000.00	(133,666.70)	133,666.70	-	300,000.00	-	(126,000.00)	126,000.00	-		300,000.00	(126,000.00)	174,000.00
Kopel, Roy - IRA	100,000.00	-	58,309.24	-	158,309.24	-	-	82,129.22	-		158,309.24	-	158,309.24
Bush, Warren & Fay	120,000.00	(49,500.00)	163,903.68	-	234,403.68	-	(82,290.60)	105,057.20	-		234,403.68	(82,290.60)	152,113.08
Hughes, Judy - IRA	192,000.26	(52,903.20)	86,332.98	-	225,430.04	25,500.00	(99,641.60)	99,641.60	-		225,430.04	(74,141.60)	151,288.44
Scroggin, Annette - IRA	145,365.89	-	4,585.83	-	150,951.72	-	-	78,312.25	-		150,951.72	-	150,951.72
Thomas & Sara Byrne Living Trust	-	-	-	-	-	250,000.00	(103,885.79)	103,885.79	-		-	146,114.21	146,114.21

Simon Consulting, LLC  
Arizona Corporation Commission v. DenSco Investment Corporation

DenSco Investment Corporation  
Investor Analysis

Exhibit 2

Investor Name	Investor Transactions Through 12/31/12					Investor Transactions from 01/01/13 through 06/30/16					Calculation of Net Investment Loss/(Win)		
	Cash In	Cash Out	Non-Cash Accruals	Book Entries	Investor Balance	Cash In	Cash Out	Non-Cash Accruals	Book Entries		Pre-Insolvency Balance (12/31/12)	Post-Insolvency Cash Transactions	Net Investment Loss/(Win)
Cohen Revocable Trust / Eileen Cohen	250,000.00	(7,183.43)	7,183.43	-	250,000.00	-	(105,000.00)	105,000.00	-	-	250,000.00	(105,000.00)	145,000.00
Paul Kent Family Trust	380,000.00	(602,003.47)	493,749.59	-	271,746.12	-	(127,333.32)	107,333.32	-	-	271,746.12	(127,333.32)	144,412.80
Gretchen Carrick Trust	250,000.00	(27,905.76)	27,905.76	-	250,000.00	-	(106,053.50)	106,053.50	-	-	250,000.00	(106,053.50)	143,946.50
Rzonca, Pete	100,000.00	-	1,403.96	-	101,403.96	75,030.58	(35,422.28)	58,987.74	-	-	101,403.96	39,608.30	141,012.26
Odenthal, Brian & Janice	150,000.00	(188,923.47)	188,923.47	-	150,000.00	-	(35,602.89)	75,216.38	-	-	150,000.00	(15,602.89)	134,397.11
Erin Carrick Trust	-	-	-	-	-	200,066.71	(66,959.26)	66,959.26	-	-	-	133,107.45	133,107.45
Defota, Scott	100,000.00	-	59,655.58	-	159,655.58	50,000.00	(88,897.58)	93,193.03	-	-	159,655.58	(38,897.58)	120,758.00
Todd Eimek Trust	200,666.70	(19,514.00)	18,847.30	-	200,000.00	-	(84,842.80)	84,842.80	-	-	200,000.00	(84,842.80)	115,157.20
Schloz, Stanley - IRA	100,000.00	-	25,511.83	-	125,511.83	-	(12,000.00)	60,782.52	-	-	125,511.83	(12,000.00)	113,511.83
Schloz, Mary - IRA	101,000.00	-	22,239.20	-	123,239.20	-	(10,300.00)	62,423.88	-	-	123,239.20	(10,300.00)	112,939.20
Schloz Family Trust / Stanley Schloz	175,000.00	(37,621.76)	21,511.67	-	158,889.91	-	(48,797.22)	71,687.17	-	-	158,889.91	(48,797.22)	110,092.69
Locke, Bill & Jean	180,000.00	(146,198.44)	118,110.57	-	151,912.13	55,000.00	(97,133.39)	86,392.70	-	-	151,912.13	(42,133.39)	109,778.74
Brian & Carla Wenig Family Trust	-	-	-	-	-	115,000.00	(8,450.46)	50,577.22	-	-	-	106,549.54	106,549.54
L/JL Capital, LLC / Landon Luchtel	-	-	-	-	-	104,000.00	-	7,502.07	-	-	-	104,000.00	104,000.00
Pearce, Marlene - IRA	82,000.00	-	16,325.56	-	98,325.56	5,400.00	-	52,494.34	-	-	98,325.56	5,400.00	103,725.56
Griswold, Russ - IRA	100,000.00	(50,000.00)	45,722.97	-	95,722.97	-	-	49,660.10	-	-	95,722.97	-	95,722.97
Lawson, Robert	100,000.00	-	6,328.92	-	106,328.92	-	(10,800.80)	53,606.35	-	-	106,328.92	(10,800.80)	95,528.12
Burkhardt, Kemmen	175,000.00	(30,933.00)	53,071.22	-	197,138.22	-	(102,691.31)	73,099.18	-	-	197,138.22	(102,691.31)	94,446.91
Ledet, Wayne - Roth IRA	91,658.52	-	4,548.25	-	96,206.77	12,500.00	(14,338.58)	51,645.63	-	-	96,206.77	(1,838.58)	94,368.19
Lent, Manuel - IRA	40,000.00	-	54,342.97	-	94,342.97	-	-	48,944.17	-	-	94,342.97	-	94,342.97
Underwood, Wade	50,000.00	(29,728.12)	51,496.95	-	71,768.83	30,000.00	(7,757.88)	50,238.19	-	-	71,768.83	22,242.12	94,010.95
Preston Revocable Living Trust / Dave Preston	160,000.00	(77,272.85)	77,272.85	-	160,000.00	-	(67,874.24)	67,874.24	-	-	160,000.00	(67,874.24)	92,125.76
Moss Family Trust / Kaylene Moss	325,000.00	(383,971.25)	147,915.38	-	88,944.13	10,000.00	(7,512.86)	48,261.94	-	-	88,944.13	2,487.14	91,431.27
Grant, Stacy - IRA	75,000.00	-	13,646.95	-	88,646.95	-	-	45,989.18	-	-	88,646.95	-	88,646.95
BLL Capital, LLC / Barry Luchtel	-	-	-	-	-	87,000.00	-	6,275.78	-	-	-	87,000.00	87,000.00
Scroggin, Michael	150,000.00	(6,050.00)	6,050.00	-	150,000.00	-	(63,000.00)	63,000.00	-	-	150,000.00	(63,000.00)	87,000.00
Sherriff, Stewart	150,000.00	(111,139.10)	111,139.10	-	150,000.00	-	(63,632.10)	63,632.10	-	-	150,000.00	(63,632.10)	86,367.90
Saltire JLC / Stewart S	150,000.00	(109,383.60)	109,383.60	-	150,000.00	-	(63,632.10)	63,632.10	-	-	150,000.00	(63,632.10)	86,367.90
Scroggin, Mike - Roth IRA	83,260.78	-	2,805.93	-	86,166.71	-	-	44,702.43	-	-	86,166.71	-	86,166.71
GB 12, LLC / Schloz, Stanley - IRA	-	-	-	-	-	146,000.00	(60,000.00)	67,252.57	-	-	-	86,000.00	86,000.00
Tuffie, Steve	50,000.00	(57,287.45)	77,189.02	-	69,901.57	40,000.00	(25,016.52)	52,715.01	-	-	69,901.57	14,983.48	84,885.05
Wellman, Carol	125,000.00	(50,262.19)	50,262.19	-	125,000.00	10,000.00	(56,016.02)	56,016.03	-	-	125,000.00	(46,016.02)	78,983.98
Dirks, Amy - IRA	72,307.96	-	3,663.35	-	75,971.31	-	-	39,413.12	-	-	75,971.31	-	75,971.31
Davis, Jack	-	-	-	-	-	75,000.00	-	5,624.58	-	-	-	75,000.00	75,000.00
Hughes, Bill & Judy	125,000.00	(27,500.00)	27,500.00	-	125,000.00	-	(52,500.00)	52,500.00	-	-	125,000.00	(52,500.00)	72,500.00
Cate, Averill	60,000.00	-	3,601.82	-	63,601.82	40,649.53	(36,423.01)	32,171.66	-	-	63,601.82	4,226.52	67,828.34
Odenthal, Brian - IRA	32,000.00	-	4,540.43	-	36,540.43	31,000.00	-	27,966.01	-	-	36,540.43	31,000.00	67,540.43
LF Fund / Marvin & Pat Miller	-	-	-	-	-	100,000.00	(34,064.36)	34,064.36	-	-	-	65,935.64	65,935.64
Sanders, JoAnn	55,000.00	-	9,677.25	-	64,677.25	-	-	33,553.89	-	-	64,677.25	-	64,677.25
Wellman Family Living Trust / Carol & Mike Wellman	75,000.00	(50,973.37)	50,973.37	-	75,000.00	30,000.00	(40,784.00)	40,783.99	-	-	75,000.00	(10,784.00)	64,216.00
Swartz, Nancy	51,996.98	-	15,673.92	-	67,670.90	1,023.18	(5,261.26)	34,630.17	-	-	67,670.90	(4,238.08)	63,432.82
Non Lethal Defense, Inc / Dave Dubay	100,000.00	(95,333.30)	95,333.30	-	100,000.00	-	(42,000.00)	42,000.00	-	-	100,000.00	(42,000.00)	58,000.00
Griswold, Russ	100,000.00	(15,796.27)	15,796.27	-	100,000.00	-	(42,000.00)	42,000.00	-	-	100,000.00	(42,000.00)	58,000.00
Lee, Terry & Lil	100,000.00	(27,000.00)	27,000.00	-	100,000.00	-	(42,000.00)	42,000.00	-	-	100,000.00	(42,000.00)	58,000.00
Hey, Ralph	60,000.00	-	9,704.59	-	69,704.59	15,000.00	(30,688.20)	36,463.71	-	-	69,704.59	(15,688.20)	54,016.39
LeRoy Kopel Revocable Living Trust / Jemma Kopel	30,000.00	-	34,723.26	-	84,723.26	100,000.00	(132,560.02)	69,052.89	-	-	84,723.26	(32,560.02)	52,163.24
Scroggin, Annette - Roth IRA	46,823.03	-	1,560.76	-	48,383.79	-	-	25,101.01	-	-	48,383.79	-	48,383.79
Jetton, James	50,000.00	-	1,841.32	-	51,841.32	-	(3,989.10)	26,320.74	-	-	51,841.32	(3,989.10)	47,852.22
Howze, Doris & Lee	80,000.00	(71,573.38)	71,573.38	-	80,000.00	-	(33,600.00)	33,600.00	-	-	80,000.00	(33,600.00)	46,400.00
Wellman, Carol - Roth IRA	28,095.54	-	9,640.23	-	37,735.77	3,000.00	-	20,479.56	-	-	37,735.77	3,000.00	40,735.77
Lent, Lillian - IRA	17,000.00	-	22,685.71	-	39,685.71	-	-	20,388.52	-	-	39,685.71	-	39,685.71
William & Helene Alber Family Trust	60,000.00	(7,368.68)	7,368.68	-	60,000.00	-	(20,916.00)	20,916.00	-	-	60,000.00	(20,916.00)	39,084.00
Samantha UGMA / Jack Davis	65,832.67	(78,421.19)	72,046.36	-	59,457.84	-	(25,222.82)	25,222.82	-	-	59,457.84	(25,222.82)	34,235.02
Sterling, Donald	75,000.00	(1,350.00)	1,350.00	-	75,000.00	-	(51,250.00)	26,250.00	-	-	75,000.00	(51,250.00)	23,750.00
Weiskopf, Tom - IRA	-	-	-	-	-	14,524.59	-	863.02	-	-	-	14,524.59	14,524.59
Hulsebus Family Trust / Rhonda Hulsebus	-	-	-	-	-	600,000.00	(600,000.00)	-	-	-	-	-	-
Schloz, Stanley - Roth IRA	150,000.00	-	36,045.49	-	186,045.49	-	(187,905.94)	1,860.45	-	-	186,045.49	(187,905.94)	(1,860.45)
Kimbie, Don - IRA	64,278.85	-	23,052.40	-	87,331.25	-	(90,877.25)	3,546.00	-	-	87,331.25	(90,877.25)	(3,546.00)
Pearce, Marlene	-	-	-	-	-	180,000.00	(183,988.00)	3,988.00	-	-	-	(3,988.00)	(3,988.00)

Simon Consulting, LLC  
Arizona Corporation Commission v. DenSco Investment Corporation

DenSco Investment Corporation  
Investor Analysis

Exhibit 2

Investor Name	Investor Transactions Through 12/31/12					Investor Transactions from 01/01/13 through 06/30/16					Calculation of Net Investment Loss/(Win)		
	Cash In	Cash Out	Non-Cash Accruals	Book Entries	Investor Balance	Cash In	Cash Out	Non-Cash Accruals	Book Entries		Pre-Insolvency Balance (12/31/12)	Post-Insolvency Cash Transactions	Net Investment Loss/(Win)
Stevenson, Thomas	-	-	-	-	-	300,000.00	(307,254.12)	7,254.12	-	-	-	(7,254.12)	(7,254.12)
Harvey, Chris	80,000.00	(15,000.00)	25,940.47	-	90,940.47	-	(98,475.49)	7,535.02	-	-	90,940.47	(98,475.49)	(7,535.02)
Quigley, Karen	150,000.00	(55,700.04)	10,240.00	-	104,539.96	-	(117,930.26)	13,390.30	-	-	104,539.96	(117,930.26)	(13,390.30)
Princeville Investment Group SW / Kevin Potempa	250,000.00	(254,470.71)	4,470.71	-	-	500,000.00	(516,966.00)	16,966.00	-	-	-	(16,966.00)	(16,966.00)
Badiani, Nishel	-	-	-	-	-	775,000.00	(811,356.82)	36,356.82	-	-	-	(36,356.82)	(36,356.82)
Nesta Capital, Inc. / Kirk Fischer	100,000.00	(2,269.34)	2,269.34	-	100,000.00	200,000.00	(338,537.40)	38,537.40	-	-	100,000.00	(138,537.40)	(38,537.40)
Marvin & Pat Miller	-	-	-	-	-	920,000.00	(969,220.00)	49,220.00	-	-	-	(49,220.00)	(49,220.00)
Weiskopf Enterprises, LLC / Laurie Weiskopf	-	-	-	-	-	200,000.00	(249,876.48)	49,876.48	-	-	-	(49,876.48)	(49,876.48)
Alexandra Bunger Irrevocable Trust	-	-	-	-	-	850,000.00	(900,000.00)	50,000.00	-	-	-	(50,000.00)	(50,000.00)
Cassidy Bunger Irrevocable Trust	-	-	-	-	-	850,000.00	(900,000.00)	50,000.00	-	-	-	(50,000.00)	(50,000.00)
Connor Bunger Irrevocable Trust	-	-	-	-	-	850,000.00	(900,000.00)	50,000.00	-	-	-	(50,000.00)	(50,000.00)
Carsyn Smith Trust	95,000.00	-	48,777.52	-	143,777.52	8,000.00	(211,542.44)	59,764.92	-	-	143,777.52	(203,542.44)	(59,764.92)
Mckenna Smith Trust	95,000.00	-	48,748.06	-	143,748.06	8,000.00	(212,000.54)	60,252.48	-	-	143,748.06	(204,000.54)	(60,252.48)
Sundance Debt Partners, LLC / Ryan Daughman	-	-	-	-	-	2,500,000.00	(2,588,402.33)	88,402.33	-	-	-	(88,402.33)	(88,402.33)
Marrion Minchuk Trust / Lawrence Minchuk	550,000.00	(84,666.60)	84,666.60	-	550,000.00	-	(652,000.00)	102,000.00	-	-	550,000.00	(652,000.00)	(102,000.00)
Weiskopf Family Living Trust / Laurie Weiskopf	-	-	-	-	-	1,200,000.00	(1,412,669.05)	212,669.05	-	-	-	(212,669.05)	(212,669.05)
Fischer Family Holdings, LLC / Kirk Fischer	700,000.00	(28,776.43)	28,776.43	-	700,000.00	1,350,000.00	(2,329,488.64)	279,488.64	-	-	700,000.00	(979,488.64)	(279,488.64)
Four Futures Corp. / Tom Smith	6,200,000.00	(4,466,971.80)	816,971.80	-	2,550,000.00	5,150,000.00	(8,916,626.98)	1,216,626.98	-	-	2,550,000.00	(3,766,626.98)	(1,216,626.98)
<b>Subtotal</b>	<b>48,959,180.17</b>	<b>(26,631,944.49)</b>	<b>17,463,665.88</b>	<b>-</b>	<b>39,790,901.56</b>	<b>36,129,814.48</b>	<b>(46,406,985.26)</b>	<b>22,075,052.28</b>	<b>-</b>	<b>-</b>	<b>39,790,901.56</b>	<b>(10,277,170.78)</b>	<b>29,513,730.78</b>
Chittick, Denny	60,436,407.81	(60,172,394.54)	1,499,731.78	(40,000.00)	1,723,745.05	48,098,702.30	(48,691,529.86)	120,000.00	(1,250,917.49)	-	1,723,745.05	(592,827.56)	1,130,917.49
Chittick, Denny - 401k	47,630.66	-	165,523.44	-	213,154.10	35,000.00	(359,609.00)	111,454.90	-	-	213,154.10	(324,609.00)	(111,454.90)
Chittick, Denny - DB Plan	107,009.10	-	736,026.86	-	843,035.96	-	(1,817,243.03)	974,207.07	-	-	843,035.96	(1,817,243.03)	(974,207.07)
Thermogen Holdings, LLC	-	(813,540.00)	57,226.26	756,313.74	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>60,591,047.57</b>	<b>(60,985,934.54)</b>	<b>2,458,508.34</b>	<b>716,313.74</b>	<b>2,779,935.11</b>	<b>48,133,702.30</b>	<b>(50,868,381.89)</b>	<b>1,205,661.97</b>	<b>(1,250,917.49)</b>	<b>-</b>	<b>2,779,935.11</b>	<b>(2,734,679.59)</b>	<b>45,255.52</b>
<b>Grand Total</b>	<b>109,550,227.74</b>	<b>(87,617,879.03)</b>	<b>19,922,174.22</b>	<b>716,313.74</b>	<b>42,570,836.67</b>	<b>84,263,516.78</b>	<b>(97,275,367.15)</b>	<b>23,280,714.25</b>	<b>(1,250,917.49)</b>	<b>-</b>	<b>42,570,836.67</b>	<b>(13,011,850.37)</b>	<b>29,558,986.30</b>

Non-Chittick Net Investment Loss: 31,911,465.77  
Non-Chittick Net Investment Win: (2,397,734.99)  
**NET TOTAL: 29,513,730.78**

Source:  
QuickBooks company file for DenSco Investment Corporation.

# **Exhibit B**

Colin F. Campbell, 004955  
Geoffrey M. T. Sturr, 014063  
Timothy J. Eckstein, 018321  
Joseph N. Roth, 025725  
John S. Bullock, 034950  
BriAnne N. Illich Meeds, 036094  
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[billichmeeds@omlaw.com](mailto:billichmeeds@omlaw.com)

Attorneys for Plaintiff

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,

v.

U.S. Bank, NA, a national banking  
organization; Hilda H. Chavez and John  
Doe Chavez, a married couple; JP Morgan  
Chase Bank, N.A., a national banking  
organization; Samantha Nelson f/k/a  
Samantha Kumbalek and Kristofer  
Nelson, a married couple; and Vikram  
Dadlani and Jane Doe Dadlani, a married  
couple,

Defendants.

No. CV2019-011499

**DECLARATION OF  
JEFFREY P. GAIA**

(Assigned to the Honorable  
Dewain D. Fox)



1 I, Jeffrey P. Gaia, declare as follows:

2 1. This declaration is made under Rule 80(c) of the Arizona Rules of Civil  
3 Procedure.

4 2. I was retained by the Receiver as a banking expert. My resume is  
5 included within the reports prepared in this case.

6 3. I prepared two case-in-chief reports regarding JPMorgan Chase. The first  
7 report is dated January 10, 2022, and it is attached hereto as Attachment 1. In this  
8 report, I reviewed the monthly banking statements of Arizona Home Foreclosures  
9 ("AZHF") and presented opinions based upon those transactions.

10 4. The second report is dated November 1, 2022, and it is attached hereto as  
11 Attachment 2. After my January 10, 2022 report, Chase produced documents regarding  
12 investigations done by its AML Department, including internal notes, native files from  
13 the Halo System, and certain hard-copy Halo notes of John Molina. Depositions of  
14 Chase employees were also conducted and reviewed. In this report, I presented  
15 opinions based upon these new disclosures after my January 10, 2022 report.

16 5. The reports set forth my expert opinions, the factual basis of my opinions,  
17 and the matters I reviewed.

18 6. I declare under penalty of perjury that the foregoing is true and correct to  
19 the best of my knowledge, information, and belief.

20 Dated this 17th day of July, 2023.

21  
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26  
27  
28



Jeffrey P. Gaia

9998111

# **Attachment 1**

Expert Report of Jeffrey P. Gaia

*In the matter of:*

Peter S. Davis, as Receiver of DenSco Investment Corporation,  
an Arizona Corporation,

Plaintiff,

v.

US Bank, N.A., a national banking organization; Hilda H. Chavez and John Doe Chavez, a married couple; JP Morgan Chase Bank, N.A., a national banking organization; Samantha Nelson f/k/a Samantha Kumbalek, and Kristofer Nelson, a married couple; and Vikram Dadlani and Jane Doe Dadlani, a married couple,  
Defendants.

No. CV2019-011499

Third Amended Complaint

Report dated (January 10, 2022)



## Table of Contents

<i>Page</i>	<i>Section</i>	<i>Title</i>
3		Preface
5	1	Opinions Regarding the Actions of JP Morgan Chase Bank
9	2	Anti-Money Laundering Laws and Supervisory Practices
9	2.1	Bank Secrecy Act of 1970
11	2.2	USA Patriot Act of 2001
11	2.2.1	Know Your Customer
12	2.2.2	CIP
12	2.2.3	CDD
13	2.2.4	Automated AML Transaction Monitoring
13	2.2.5	AML Policy Issues Relevant to This Litigation
15	3	JP Morgan Chase Bank Involvement in the Menaged Fraud
15	3.1	The Menaged Relationship with JPM
15	3.2	The May 12, 2014 Compliance Investigation
16	3.2.1	Red Flag #1
23	3.2.2	Red Flag #2
27	3.2.3	Red flag #3
31	3.3	The Willful Blindness of JPM
32	3.4	Menaged's Actions After the Investigation Concludes
33	3.4.1	Issued and Cancelled Cashier's Checks
33	3.4.2	Round-Tripped Repayments
34	3.4.3	Gambling Withdrawals
35	3.4.4	Cash Withdrawals
36	3.4.5	Credit Card Payments
38	3.4.6	Payments to Relatives
39	3.4.7	Payments to Third-Party Lenders
40	3.4.8	Property Acquisition/Rehab
41	3.4.9	JPM Employees Violated Corporate Policies
43		Exhibit 1 – Resume of Jeffrey P. Gaia
48		Exhibit 2 – Hearing/Trial Testimony During the Past Four Years
49		Exhibit 3 – Documents Provided to Expert Witness in Support of This Report

## *Preface*

Osborn Maledon, acting as counsel for Peter S. Davis, Receiver of DenSco Investment Corporation (DenSco) has retained me to provide expert witness testimony in *DenSco v. U.S. Bank, et al.*, CV 2019-011499 (Maricopa County Superior Court) ("The Lawsuit"). The Lawsuit involves the banking relationship between Yomtov Menaged (Menaged) and his controlled companies and JP Morgan Chase Bank, N.A (JPM). The Lawsuit alleges, among other things, that JPM aided and abetted Menaged in a fraud scheme directed toward DenSco.

Specifically, I was asked to review records from JPM and assess:

(a) Based on the factual information JPM had from documents in its possession, what did JPM know about Menaged's fraudulent activities; and

(b) Based upon factual information JPM had from the documents in its possession, and the manner in which JPM conducted its business, was JPM willfully blind to Menaged's fraudulent activities.

As set out below, my opinions are that JPM knew from the factual information they possessed that Menaged was engaged in fraudulent schemes against DenSco; and the manner in which JPM conducted its business constitutes willful blindness to Menaged's fraudulent schemes.

This report contains information required by the Arizona Rules of Civil Procedure regarding my expert testimony. My opinions are structured into three primary Sections:

- Section 1 contains my more detailed opinions based upon the pertinent facts of this case.
- Section 2 discusses and provides a summary of the corporate policies and procedures, and the business and regulatory environment that JPM works within. It discusses the federal banking regulations and corporate policies applicable to JPM and how banks like JPM collect information and take action on data to prevent illegal activities like fraud or money laundering.
- Section 3 examines the data and information within JPM's files, and the actions JPM took in light of this data in its administration of the Menaged relationship. The data and information within JPM's files document that Menaged conducted a well-planned scheme to defraud DenSco. The data and information within JPM's files demonstrate that JPM participated in this scheme and turned a blind eye towards it. The opinions contained herein are based on my professional knowledge, training and experience as well as documents produced by JPM in this action.

Discovery is on-going. Moreover, deposition discovery has yet to take place and I understand there are several continuing production disputes between the parties. I reserve the right to alter, change, modify, and/or supplement the contents of this Report based on subsequent discovery.

I am being compensated on an hourly basis at a rate of \$500. My compensation is independent of any result in this litigation.

#### Resume of Jeffrey P. Gaia

My resume is attached as Exhibit 1. My resume sets forth my qualifications to undertake this assignment.

#### Prior Expert Witness Testimony

My prior expert witness testimony at a hearing or trial for the last four years is attached as Exhibit 2.

#### Documents Relied Upon to Form Opinions

A list of the documents I was provided is attached as Exhibit 3.

## Section 1. Opinions Regarding the Actions of JP Morgan Chase Bank

- JPM's culture and corporate history is not a clean slate. JPM has a long history of failing to comply with federal anti-money laundering regulatory law (AML). This includes activity resulting in criminal prosecutions, deferred prosecution agreements, monetary penalties, consent decrees and civil penalties. JPM's AML activities stretches back as far as 2008 with its involvement in the Bernie Madoff Ponzi scheme in which investors lost \$65 billion. JPM's regulatory history demonstrates a corporate ambivalence toward regulatory AML compliance, including in its Arizona operations that managed the Menaged relationship.
- In January 2013, the OCC issued a Cease and Desist Order<sup>1</sup> directing JPM's three major affiliated banks (JPMorgan Chase Bank, JPMorgan Bank and Trust Company, and Chase Bank) to correct serious deficiencies in their AML compliance programs. The Consent Order specifically identified inadequate due diligence processes on customers in its Business Banking Unit, the business unit in which the Menaged relationship would have been housed. These findings, based on actions prior to and contemporaneous with the Menaged fraud, highlight JPM's corporate culture and corporate approach to regulatory compliance
- JPM actively participated in a criminal scheme involving the issuance of 1344 fraudulent cashier's checks in the face amount of \$311.3 million with the direct knowledge that these cashier's checks would not be used for the intended purpose. Rather, JPM willingly and with knowledge participated in this criminal scheme wherein these checks were issued with the intent to immediately cancel and redeposit them after Menaged had taken photocopies in furtherance of his fraud against DenSco.
- JPM was willfully blind to numerous "Red Flags" embedded in the transaction history of the Menaged accounts. These readily apparent "Red Flags" included:
  - 1) Millions of dollars of fraudulent transactions went unreported by JPM personnel in violation of corporate compliance policy that required reporting of *"Potentially Unusual Activity."* Such activity was defined, by policy, as *"transactions with no logical economic purpose (such as no link between the customer/business and other parties involved in the transaction)."*
  - 2) Round-tripped wire activity went unreported by JPM personnel. Round-trip activity was present where wires from DenSco's account with Bank of America were received into the Menaged -1151 account, purportedly to fund the acquisition of properties purchased at trustee sales, but the proceeds were often

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<sup>1</sup> As reported by Bank Info Security on January 7, 2014 ([www.bankinfosecurity.com/chase](http://www.bankinfosecurity.com/chase)).

immediately wired back to the DenSco account with the identification that these funds were “repayments” of prior loan advances. In total, DenSco “wires in” totaled \$334.2 million from April 2014 to October 2015, and “round tripped” repayments to DenSco during that same period were \$302.8 million. The source of all of these repayments can be traced back to incoming wires from DenSco. Such “round-tripping” transactions were specifically identified in JPM Corporate Policy manuals as “Potentially Suspicious Activities” that were required by policy to be reported to corporate compliance personnel. As such, JPM personnel willfully violated corporate policy.

- 3) JPM failed to report “Potentially Suspicious Activity” when it issued cashier’s checks from the -1151 account payable to gambling casinos. These transactions were inconsistent with the intended use of the DenSco funds, and there was no reasonable explanation supporting such transactions in this account. These transactions should have been identified as “Potentially Suspicious Activities” that were required by policy to be reported to corporate compliance personnel. As such, JPM personnel willfully violated corporate policy.
- 4) JPM willfully facilitated the suspicious withdrawal of funds from the -1151 account to support the gambling habit of Menaged by increasing the daily limit on his debit card. This allowed Menaged to loot the -1151 account for hundreds of thousands of dollars spent at casinos. These transactions were inconsistent with the intended use of the DenSco funds, and there was no reasonable explanation supporting such transactions in this account. These transactions should have been identified as “Potentially Suspicious Activities” that were required by policy to be reported to corporate compliance personnel. As such, JPM personnel willfully violated corporate policy.
- 5) JPM willfully ignored the unusual deposit activity in the -1151 account. During the life of this account, there were two major sources of deposits – DenSco “wires in” and redeposits of cancelled cashier’s checks. As early as April 2014, the first month the account was opened, the level of deposits sourced from true third-party commercial transactions was less than 5% of total deposit activity. The overwhelming majority of deposit transactions were involved in fraudulent activities. During the entire life of the -1151 account, deposits sourced from legitimate commercial activity never exceeded 5% of deposit volume. This pattern was in evidence in April and May 2014 when an internal investigation was opened. JPM’s corporate compliance department was willfully blind to this pattern when its investigation concluded with no action taken to close the account, in spite of the fact that 95% of the dollar volume of deposits was involved in fraudulent activity during that period. JPM’s willful blindness allowed

the Menaged accounts to remain open for more than an additional year, and this additional time allowed the fraud against DenSco to flourish.

- 6) JPM willfully ignored the highly unusual cash withdrawal activity by Menaged from the -1151 account. During an 18-month period from April 2014 through September 2015, Menaged withdrew in excess of \$1.2 million in cash from the account. Withdrawals of this magnitude and frequency are highly unusual. These transactions were inconsistent with the intended use of the DenSco funds, and there was no reasonable explanation supporting such transactions in this account. These transactions should have been identified as "Potentially Suspicious Activities" that were required by policy to be reported to corporate compliance personnel. As such, JPM personnel willfully violated corporate policy.
- 7) JPM willfully ignored the use of funds from the -1151 account to satisfy personal credit card payables. Throughout the life of this account, Menaged paid monthly statement balances on a variety of credit cards. Based on a review of monthly bank statements of the -1151 account, it appears that these credit cards were used for personal expenses as opposed to pay for supplies and materials related to his "fix and flip" properties. "Fix and flip" expenses were typically covered under a subcontractor's account. During the period from April 2014 through October 2015, Menaged used \$2,044,548 of DenSco funding to satisfy outstanding credit card obligations. These transactions were inconsistent with the intended use of the DenSco funds, and there was no reasonable explanation supporting such transactions in this account. These transactions should have been identified as "Potentially Suspicious Activities" that were required by policy to be reported to corporate compliance personnel. As such, JPM personnel willfully violated corporate policy.
- 8) JPM willfully ignored the use of funds paid to relatives. Approximately \$1.8 million of DenSco funds were used for payments to a relative, Joseph Menaged, believed to be the father of Scott Menaged. These transactions were inconsistent with the intended use of the DenSco funds, and there was no reasonable explanation supporting such transactions in this account. These transactions should have been identified as "Potentially Suspicious Activities" that were required by policy to be reported to corporate compliance personnel. As such, JPM personnel willfully violated corporate policy.
- 9) JPM willfully ignored the use of funds paid to unrelated third-party lenders. Approximately \$3 million of DenSco funds were used to repay unrelated third-party lenders. Two lenders, Active Funding Group and Sell Wholesale Funding received payments of \$2.7 million and \$.2 million, respectively. These

transactions were inconsistent with the intended use of the DenSco funds, and there was no reasonable explanation supporting such transactions in this account. These transactions should have been identified as “Potentially Suspicious Activities” that were required by policy to be reported to corporate compliance personnel. As such, JPM personnel willfully violated corporate policy.

- As a result of JPM’s willful blindness of the activities engaged in by Menaged within the JPM bank accounts, JPM aided and abetted Menaged’s fraud scheme from the date of account opening on April 9, 2014 through approximately October 2015. JPM was knowingly complicit in these schemes by virtue of its active participation in illicit transactions and willful blindness and disregard of its own corporate policies.

## Section 2. Anti-Money Laundering Laws and Corporate Supervisory Practices

Banks operate in a complex regulatory environment. To understand what a Bank knows, or how a Bank can turn a blind eye to certain fraudulent customer activities, one needs to know what information banks collect to uncover fraud, and what procedures Banks put in place to discover and stop fraudulent practices. Bank policies on discovering and stopping fraudulent and criminal activities parallel federal regulatory requirements. For example, DenSco had a bank account at Bank of America for its business banking. Bank of America policies led to an investigation of the DenSco account and activities, and a decision by Bank of America to shut down the account as its activities did not appear consistent with DenSco's anticipated business activity. When I refer to AML regulations or AML reporting, I am referring both to federal regulatory requirements and parallel bank corporate policies and procedures that will result in internal bank review of accounts.

The history of regulatory anti-money laundering legislation has its root in the early 20<sup>th</sup> century, particularly those practices of organized crime leaders like Al Capone, who laundered proceeds from illegal liquor sales and prostitution through his chain of laundromats.<sup>2</sup> Hence, the term "money laundering" was coined. Efforts to limit such illegal activities culminated in the passage of numerous laws over an extended period.

Anti-money laundering (AML) laws are legal controls that require regulated entities<sup>3</sup> to prevent, detect and report money laundering activities. Originally, these laws were to prevent the process of transforming the proceeds of crimes into ostensibly legitimate money or other assets. In other words, the term "money laundering" is used to describe the process of making "dirty money"<sup>4</sup> appear "clean." Ultimately, the laws directed at this type of "money laundering" were expanded to address other types of "white collar" financial crimes, such as most forms of common financial fraud and Ponzi schemes. Although there are many such laws, the most far-reaching regulations impacting financial institutions are the Bank Secrecy Act of 1970 (BSA) and the USA Patriot Act of 2001 (Act).

### *2.1 Bank Secrecy Act of 1970*

AML regulations date back to 1970 when the Bank Secrecy Act was first passed. This law created a series of preventive measures to restrict money laundering. The most notable measures impacting financial institutions imposed:

- Recordkeeping of cash purchases of negotiable instruments (e.g., cashier's checks).
- A formal reporting requirement on cash transactions over \$10 thousand.

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<sup>2</sup> <https://www.kroll.com>

<sup>3</sup> Federally insured financial institutions are identified as "regulated entities" under anti-money laundering laws.

<sup>4</sup> The term "dirty money" denotes any proceeds acquired from illegal activities (e.g., the illegal sale of controlled substances).



- A formal requirement to report suspicious activity that “MIGHT” (emphasis added) signify money laundering or other criminal activity.

These reporting requirements were to be documented in a series of formal reports identified within the BSA. All these reporting activities are stipulated by the Financial Crimes Enforcement Network (FinCEN), a bureau of the Department of the Treasury that is responsible for managing and enforcing Anti-Money Laundering and Bank Secrecy Act rules and regulations. These formal reports include:

- *FinCEN Form 112 – Currency Transaction Report (CTR)*
- *FinCEN Form 105 – Report of International Transportation of Monetary Instruments (CMIR)*
- *FinCEN Form 114 – Report of Foreign Bank and Financial Accounts (FBAR)*
- *FinCEN Form 110 – Designation of Exempt Persons*
- *Treasury Department Form 90-22.47 – Suspicious Activity Report (SAR)*

In the context of “suspicious activity” the BSA imposed a significant responsibility on financial institutions. The BSA established an affirmative responsibility on financial institutions to file a SAR for activities that the institution deems “suspicious.” The Act specifically notes that “suspicious activity” includes:

*“Transactions<sup>5</sup> aggregating \$5,000 or more if the transaction has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the institution knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.”<sup>6</sup>*

Importantly, a prevalent reason for SAR filings involves customer account activities which are inconsistent with the commercial nature of the underlying business. For example, issuing a large number of wire transactions to foreign accounts from a small business customer in the United States would raise “red flag” concerns if, in fact, the business had never historically engaged in such transactions. In this hypothetical example, a SAR filing would be appropriate.

Under the BSA, a financial institution is not required to confirm or prove the underlying predicate crime or actual violations of law but is affirmatively required to report suspicious transactions that may be related to illegal activity. Penalties for not reporting “suspicious activity” (even if it is never investigated by law enforcement) can be severe, and include incarceration, civil monetary penalties, and organizational sanctions.

<sup>5</sup> For the purposes of the Act, a “transaction” means a deposit, withdrawal, transfer between accounts...extension of credit, or any other payment, transfer, or delivery by, through or to a financial institution, by whatever means effected, conducted, or attempted by, at or through the bank and involving \$5,000 or more.

<sup>6</sup> 12 CFR § 21.11 Suspicious Activity Report. (c)(4)(iii)

## 2.2 USA Patriot Act of 2001

The USA Patriot Act was signed into law in October 2001 in response to the 9/11 attacks. Major provisions of this act included modifications to existing AML laws, including the Bank Secrecy Act. This law is structured with ten “Titles,” and the general purpose of this Act was to enhance national security. One of the more significant provisions of the Act affecting financial institutions was Title III. Title III of the Act amended and enhanced major provisions of the Money Laundering Act of 1986 (MLCA), and the BSA. Title III is divided into three subsections:

- Subsection 1 deals primarily with strengthening banking rules against money laundering by strengthening customer identification procedures.
- Subsection 2 attempts to improve communication between law enforcement agencies and financial institutions.
- Subsection 3 deals with currency smuggling and counterfeiting.

The impact on financial institutions of Subsection 1 of this regulation was dramatic. The Act empowered the Federal Financial Institutions Examination Council<sup>7</sup> (FFIEC) to require each institution to develop and implement a formal BSA Compliance Program, including an Internal Institutional Risk Assessment Program to be undertaken by each federally insured financial institution. Each institution’s Risk Assessment Program would necessarily:

- Document a financial institution’s BSA/AML unique risk exposures.
- Develop appropriate policies, procedures, and processes.
- Structure and implement an adequate BSA/AML Compliance Program to mitigate these unique risks.
- Monitor adherence to established policies, procedures, and processes (i.e., management reporting and periodic audits).

On a more granular basis, each BSA/AML Compliance Program required that an institution establish a satisfactory “Know Your Customer” (KYC) Program.

### 2.2.1 Know Your Customer

KYC refers to the steps undertaken within a financial institution’s compliance program to establish:

- The identity of a customer, and;
- Be satisfied that the source of customer funds and activities are legitimate.

The elements of a KYC Program are known as the:

- Customer Information Profile (CIP), and;

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<sup>7</sup> The FFIEC is a formal interagency body empowered to prescribe uniform principles, standards, and reporting for the federal examination of BSA Programs at financial institutions.

- Customer Due Diligence (CDD)

### 2.2.2 CIP

The cornerstone of the KYC process is the Customer Information Profile. Treasury Department regulations issued pursuant to Section 326 of the Act require every bank to implement a written CIP. The purpose of the CIP is to enable the bank to form a “reasonable” belief that it knows the true identity of each customer. Although the language of Section 326 allows for some latitude of an institution’s program, they all require certain minimum information collection and identity verification procedures dictated by regulation.<sup>8</sup> To open a new bank account, an institution must collect from each customer the following information:

- Full legal name
- Date of birth
- Address
- Identification number (Social Security, Tax ID, etc.)

After collecting this information, the institution will subject each customer to a third-party identification procedure to validate the information provided. The institution may also perform a “non-documentary” verification which may include contacting a third-party reference. The CIP is designed to verify the identity of the customer.

### 2.2.3 CDD

For most banks, the CIP is only the beginning of the KYC process. Institutions are also required to subject each customer to a Customer Due Diligence (CDD) process that involves the collection of information beyond that collected in support of the CIP process. The cornerstone of a strong AML compliance program is the

*“...implementation of risk-based CDD policies, procedures and processes for all customers...The objective of CDD is to enable the bank to understand the nature and purpose of customer relationships, which may include understanding the types of transactions in which a customer is likely to engage. These processes assist the bank in determining when transactions are potentially suspicious.”<sup>9</sup>*

Unlike the CIP, CDD is not strictly required by Section 326 of the Act. Rather it is imposed on institutions by their regulators as part of the supervisory process. To the extent there is a legal basis for CDD, it rests on the requirement that the bank file a Suspicious Activity Report whenever it “*knows, suspects, or has reason to suspect*” that certain conditions exist. This standard for reporting means that a bank could be held liable for failure to report suspicious activity even if no one at the bank actually knew or suspected the activity was occurring or suspicious. To guard against this risk, banks must monitor customer transactions for any

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<sup>8</sup> See 31 C.F.R. 103.121(b)(2)(i)

<sup>9</sup> FFIEC Examination Manual “Customer Due Diligence—Overview”

unusual activity. However, it is difficult to identify unusual activity without knowing typical transaction types and volumes which the customer would normally be expected to engage. The CDD sets this transaction baseline and is established via an interview process at account opening.

So, the goal of the CDD is to enable the bank to predict the types of transactions in which a customer is likely to engage, which then allows for identification of suspicious activities. Absent this CDD profile, a bank is incapable of identifying “unusual” or “suspicious” transaction activity in an account.

#### *2.2.4 Automated AML Transaction Monitoring*

Due to transaction complexities and data volumes, most financial institutions rely on an AML technology platform to execute their suspicious activity monitoring responsibilities. Typically, automation is used to support:

- Monitoring for suspicious transactions and filing SAR's.
- Monitoring for large currency transactions and filing CTR's.
- Verification of CIP data.
- Storage and use of CIP and CDD data sets.
- Identification of training needs.
- Case management of “red flag”<sup>10</sup> transactions.

Typically, transactions outside the “norm” of a CDD profile will be “flagged” each day and reviewed by a bank compliance officer. Each such instance must either be “cleared” or “escalated” for resolution. This level of account review is a normal and customary daily process for a financial institution. Ultimately, each “flagged” transaction will be either “cleared” or “escalated” for further investigation. Often, “escalated” transactions result in SAR filings and other internal bank reviews.

#### *2.2.5 AML Policy Issues Relevant to this Litigation*

The relevant policy issues pertaining to this litigation are listed below, and will be reviewed for JPM actions in their respective administration of the Menaged account relationships:

- What were the actual corporate and operational practices of JPM in their administration of the Menaged bank accounts?
- Were these corporate operational practices consistent with the regulatory and legal requirements of the BSA and USA Patriot Acts, and the parallel corporate policies, procedures and practices developed by JPM?

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<sup>10</sup> A “red flag” is defined as any transaction that does not make economic sense, or that cannot be reconciled with the usual activities of the customer. For example, high velocity of funds through an account, i.e., low beginning and ending daily balances, which do not reflect the large volume of funds flowing through an account.

- Were the KYC and CDD requirements of the USA Patriot Act applied to the Menaged accounts, and did JPM apply its parallel corporate policies, procedures and practices?
- Were there “red flag” indicators occurring in these accounts that should have been “flagged” by the banks’ AML monitoring processes and corporate policies, practices and procedures, and subjected to further investigation pursuant to the corporate policies, procedures and practices?
- Were corporate policies, procedures and practices violated by bank personnel in their handling of the Menaged accounts such that JPM willfully, recklessly and blindly tolerated Menaged’s fraudulent practices?

### *Section 3. JP Morgan Chase Bank's Involvement in the Menaged Fraud*

#### *3.1 The Menage Relationship with JPMorgan Chase Bank*

Menaged's relationship with JPM appears to have started as early as September 2011 when Menaged opened an account in the name of his retail furniture store. This account, titled in the name of Furniture King LLC, with an account number ending in -1381, was initially used as a working capital account for miscellaneous receipts and American Express settlements relating to retail furniture sales.

Later, in early 2014 Menaged significantly expanded his relationship with JPM when he opened at least two additional accounts. These new accounts at JPM would become instrumental to the operation of his fraud. Menaged was operating his furniture business and his fraudulent home buying activities in three accounts:

- The -1381 account "Furniture King LLC" opened with Chase on September 7, 2011. For the period reviewed (January –December 2014) this account appears to be a working capital account for miscellaneous receipts and American Express settlements related to retail furniture sales. Account balances averaged in the \$2-\$35 thousand range. However, this account was often used in Menaged's fraud scheme wherein it received transfers from the -1151 account and immediately wired the exact amount back to DenSco ostensibly representing repayments of prior loan balances.
- The -1151 account "Arizona Home Foreclosures LLC" opened with Chase on April 8, 2014. For the period reviewed (April-December 2014) this account appears to be the primary vehicle employed in a significant Ponzi and Kiting scheme. This account received advances from DenSco for the financing of distressed properties. However, instead of using these advances to purchase properties, these advances were employed in a variety of fraudulent transactions, including: 1) Round-tripped wires back to DenSco disguised as repayments of prior advances; 2) Transfers to the -8371 account under a similar round-trip repayment scheme; 3) Funds used to pay for unrelated business or personal expenses; and 4) Funds used by Menaged to fund his significant gambling addiction.
- The -8371 account "Yomtov S. Menaged" opened with Chase on May 2, 2014. For the period reviewed (May-December 2014) this account was used to pay personal expenses as well as numerous repayments to DenSco. Generally, the source of funding this account was a consistent stream of on-line transfers from the -1151 account, which itself was funded almost exclusively from DenSco loan advances. Significant kiting activities were employed by Menaged in this account which allowed the Ponzi scheme to continue for an extended period of time.

#### *3.2 The May 12, 2014 Compliance Investigation*

The -1151 account, opened on April 8, 2014, was the centerpiece of the Menaged fraud scheme at JPM. Exactly one day after this account was opened, branch employee Samantha Nelson

referred this account to the corporate compliance department via the Teller Express platform due to unusual wire activity. Responding to this referral, the JPM compliance department opened Case #5682558<sup>11</sup> on April 10, 2014 to investigate this activity. Bank records indicate that this account was reported a second time<sup>12</sup> by Nelson in which she cited unusual wire activity similar to that activity reported in her April 9, 2014 referral.

Records indicate that an internal review was performed by a compliance investigator, Alexander Gil, on May 12, 2014. These records indicate that Gil performed an "online" reputation search in the name of the business, as well as Scott Menaged. No negative media was reported. Full results of this investigation have not been provided by JPM. However, the result of this review is that the account was allowed to remain open. The actual Menaged transaction history starting with the account opening date and ending on May 12, 2014 portray numerous "red flag" events identified by branch personnel. These red flag events were apparently disregarded by the investigator.

### *3.2.1 Red Flag #1 – Round-Trip Wire Activity and Suspicious Account Transfers*

On the first day that the account was operational, April 9, 2014, Menaged initiated several suspicious transactions. Specifically, on that date the account received two incoming wires from DenSco's Bank of America account in the amount of \$1,030,000.<sup>13</sup> Shortly thereafter, and on the same date, three wires<sup>14</sup> in the total amount of \$349,242 were initiated from the -1151 account back to the identical DenSco account at Bank of America.

Also on that same day, Menaged initiated an online transfer in the amount of \$100,000<sup>15</sup> from the -1151 account to the -1381 account. Shortly thereafter, Menaged initiated a wire transaction<sup>16</sup> in the amount of \$100,000 from the -1381 account back to the DenSco account at Bank of America. These April 9<sup>th</sup> transactions are graphically portrayed in Chart (1) below:

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<sup>11</sup> JPMC001188/R-000048 (both Bates references are noted on the document)

<sup>12</sup> Case #5763950 dated May 7, 2014.

<sup>13</sup> Fedwire in the amount of \$605,900 and Fedwire in the amount of \$424,100 (DIC0016620) originating from DenSco's Bank of America account #0026009593.

<sup>14</sup> Online Wire Transfers to Bank of America to DenSco Investment Corp in the amounts of \$100,000, \$121,004.85 and \$128,238.10 (DIC0016623).

<sup>15</sup> DIC0016623

<sup>16</sup> DIC0023853

Chart (1)



Furthermore, descriptions contained with the incoming wire instructions highlighted the intended uses of funds (i.e., the funds were intended to purchase properties). The actual uses (e.g., the purported repayments of prior advances) were inconsistent with the intended use of these wires. Consider the following wire notations:

- The first DenSco wire in the amount of \$605,900 contained the addresses of two properties (4014 W Shangri LA (sic) and 10850 (sic)) for which the funds were intended to purchase.<sup>17</sup>
- The second DenSco wire in the amount of \$424,100 contained the addresses of two properties (3705 W Cat Balue (sic) and 2435 W Pa (sic)) for which the funds were intended to purchase.<sup>18</sup>
- The first outgoing wire to DenSco in the amount of \$100,000 contained the description "Partial Payoff Madison Sen." (sic).<sup>19</sup>
- The second outgoing wire to DenSco in the amount of \$121,004.85 contained the description "Partial Payoff Madison" (sic).<sup>20</sup>
- The third outgoing wire to DenSco in the amount of \$128,238 contained the description "Payoff 533 N Norfolk").<sup>21</sup>

<sup>17</sup> DIC0016620

<sup>18</sup> DIC0016620

<sup>19</sup> DIC0016623

<sup>20</sup> DIC0016623

<sup>21</sup> DIC0016623



The practice of adding a property address to the memo section of a wire instruction was consistently used by both DenSco and Menaged to identify the intended use of funds and is consistent with industry practices. As such, JPM personnel, including compliance investigators, would have been familiar with such memo references.

The “round tripping” of DenSco funds noted in the April 9, 2014 transactions appear to be the cause of the suspicious activity referral from branch personnel to the corporate compliance department. But the suspicious activity was not isolated to April 9<sup>th</sup>. In fact, this transaction pattern repeated itself in the days following the April 9<sup>th</sup> suspicious activity referral. Consider the following:

- On April 10, 2014, the -1151 account received a wire transfer in the amount of \$457,700<sup>22</sup> from DenSco’s Bank of America account. The memo line noted a property address of “21551 Casa Royal”.
- On that same day, Menaged round-tripped a wire in the amount of \$187,710 from the -1151 account back to the identical DenSco account at Bank of America, ostensibly as a payoff of a prior loan on a property identified as 37300 N Tom Darlington DR (sic).
- On the same day, Menaged requested that JPM issue two cashier’s checks<sup>23</sup> in the amounts of \$243,409 and \$174,300 (a total of \$417,709). These checks were ostensibly issued to pay for properties purchased at trustee sales. Both cashier’s checks were not used for the intended purpose. Instead, both were cancelled and redeposited into the -1151 account.

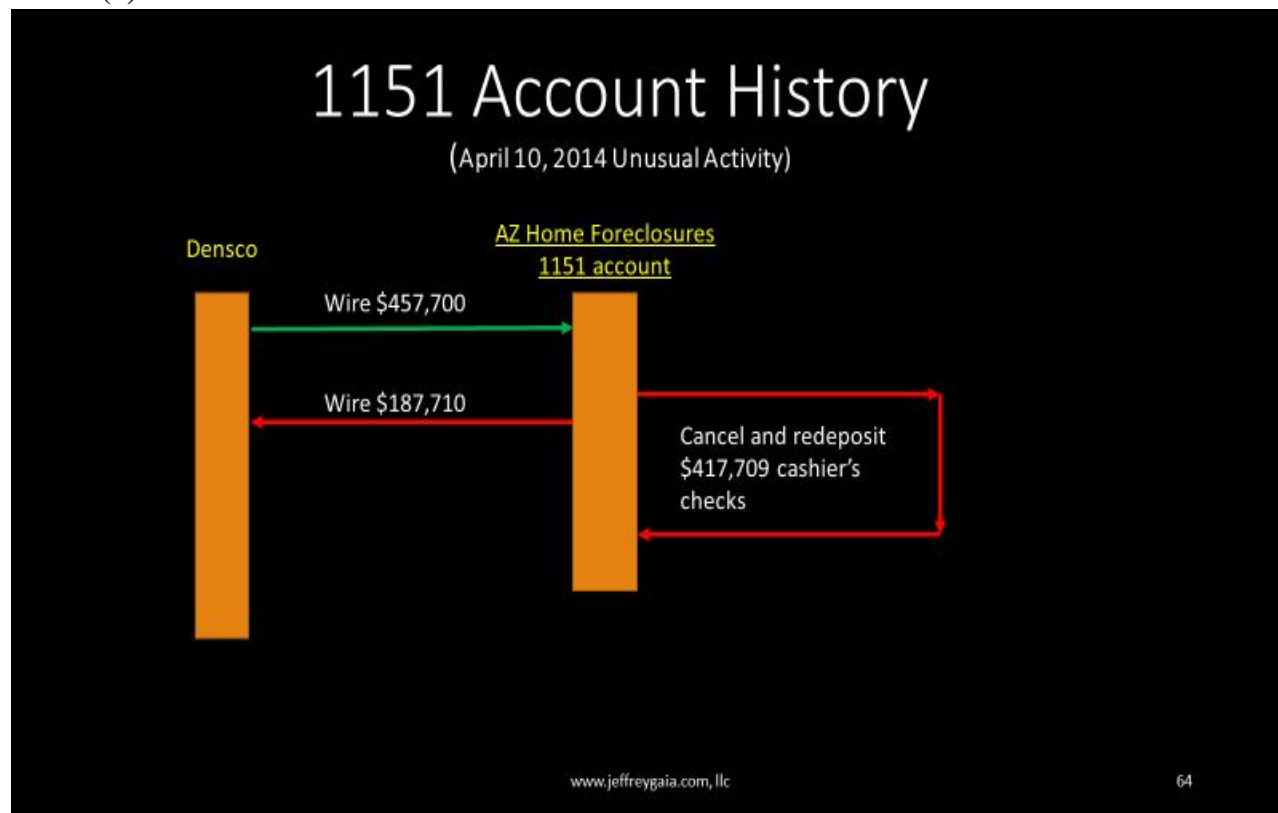
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<sup>22</sup> DIC0016620

<sup>23</sup> DIC0016636 and DIC0016637

These April 10<sup>th</sup> transactions are graphically portrayed in Chart (2) below:

**Chart (2)**



On April 11, 2014, the pattern repeated itself.

- On April 11, 2014, the -1151 account received a wire transfer in the amount of \$553,100<sup>24</sup> from DenSCO's Bank of America account. The memo line noted a property address of "5704 E Aire Libre."
- On that same day, Menaged round-tripped two wires in a total amount of \$553,319<sup>25</sup> from the -1151 account back to the identical DenSCO account at Bank of America. The memo notation on the first wire in the amount of \$278,162.80 noted "Payoff on 13418 N 50 St." The second wire had no memo notation.
- On the same day, Menaged requested that JPM issue two cashier's checks<sup>26</sup> in the amounts of \$176,200 and \$143,200 (a total of \$319,400). These checks were ostensibly issued to pay for properties purchased at trustee sales. Both cashier's checks were not used for the intended purpose. Instead, both were cancelled and redeposited into the -1151 account.

<sup>24</sup> DIC0016620

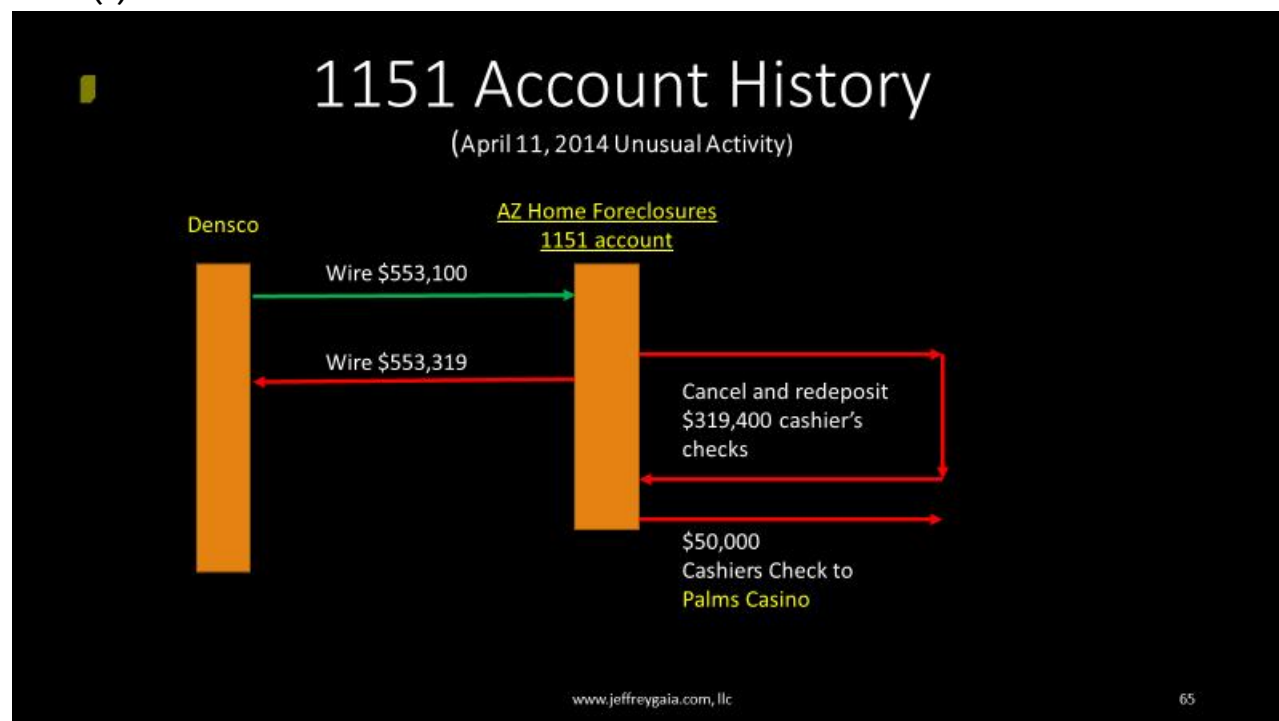
<sup>25</sup> DIC0016623 showing wire amounts payable to DenSCO of \$279,162.80 and \$274,156.20.

<sup>26</sup> DIC0016638 and DIC0016639

Also, on this date Menaged introduced a new transaction which, like the others, was inconsistent with the intended use of DenSco funds. Menaged requested a cashier's check in the amount of \$50,000<sup>27</sup> payable to the Palms Casino. Unlike the other cashier's checks requested by Menaged during the prior two days, all of which were cancelled and redeposited into the -1151 account, the Palms Casino did cash this check. Suspicious gambling withdrawals will be discussed further in this report.

These April 11<sup>th</sup> transactions are graphically portrayed in Chart (3) below:

Chart (3)



There were no transactions on Saturday April 12 and Sunday April 13, 2014. Bank wire rooms are closed on weekends. But on Monday, April 14<sup>th</sup>, Menaged continued his criminal activities, and the pattern repeated itself:

- On April 14, 2014, the -1151 account received a wire transfer in the amount of \$900,400<sup>28</sup> from DenSco's Bank of America account. The memo line noted a property address of "10237 W Westwind" and "7352 E Dr" (sic).
- On that same day, Menaged round-tripped four wires in the amount of \$663,624.45<sup>29</sup> from the -1151 account back to the identical DenSco account at Bank of America, purportedly as payoffs of prior loans on specific property addresses.

<sup>27</sup> DIC0016653

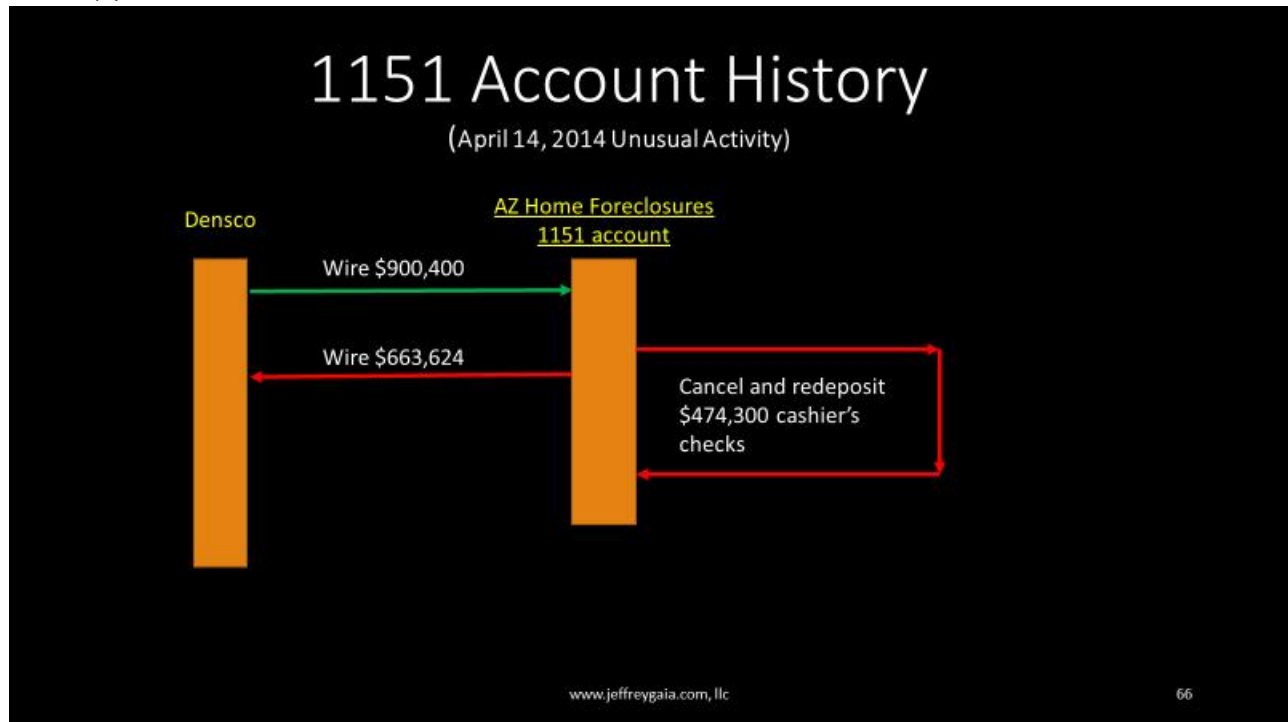
<sup>28</sup> DIC0016620

<sup>29</sup> Menaged issued four wires to the DenSco account at Bank of America in the individual amounts of \$189,966.80; \$184,501.45; \$144,771.00; and \$144,385.20. All four wire descriptions noted that these funds represented payoffs of prior loans on specific property addresses. See DIC0016624.

- On the same day, Menaged requested that JPM issue two cashier's checks<sup>30</sup> in the amounts of \$105,800 and \$368,500 (a total of \$474,300). These checks were ostensibly issued to pay for properties purchased at trustee sales. Both cashier's checks were not used for the intended purpose. Instead, both were cancelled and redeposited<sup>31</sup> into the -1151 account.

These April 11<sup>th</sup> transactions are graphically portrayed in Chart (4) below:

Chart (4)



The consistent theme of these daily transactions was their inconsistency with the nature of the business operation, and the fact that all served no legitimate business purpose. In accordance with the USA Patriot Act, these transactions met the definition of "suspicious activity" and should have been reported as such.

Instead, the JPM compliance function exhibited willful blindness to these transactions in spite of multiple branch referrals of this clearly suspicious activity.

By the end of April 2014 (which was within the examination timeframe of the JPM investigator's review), the actions of Menaged became increasingly more transparent, inexplicable, and blatant. For example, consider the -1151 account transactions on April 30, 2014:

<sup>30</sup> DIC0016645 and DIC0016646

<sup>31</sup> DIC0016649

- On April 30, 2014, the -1151 account received a wire transfer in the amount of \$768,009<sup>32</sup> from DenSco's Bank of America account. The memo line noted property addresses of "7 N Boulder" and "7725 W Rancho."
- That same day, Menaged initiated an electronic transfer<sup>33</sup> in the amount of \$267,367.25 to the -1381 account. Shortly thereafter on the same day, he initiated a mirror-image transaction<sup>34</sup> that transferred this same amount back to the -1151 account.
- On the same day, Menaged requested that JPM issue two cashier's checks<sup>35</sup> in the amounts of \$229,409<sup>36</sup> and \$174,600<sup>37</sup> (a total of \$474,009). These checks were ostensibly issued to pay for properties purchased at trustee sales. Both cashier's checks were not used for the intended purpose. Instead, both were cancelled and redeposited<sup>38</sup> into the -1151 account.
- On that same day, Menaged round-tripped three wires in the amount of \$519,967.25<sup>39</sup> from the -1151 account back to the identical DenSco account at Bank of America, purportedly as payoffs of prior loans on specific property addresses. These three wires were issued in the individual amounts of \$97,207.10; \$276,367.25; and \$146,393.20. The memo line of these wires noted that these funds represented payoffs of prior loans on properties located at 3242 W Jessica Ln, 2141 E Desert Inn Dr, and 26772 N176 Ln.

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<sup>32</sup> DIC0016622

<sup>33</sup> DIC0016626 (noted as Transaction #3892921215)

<sup>34</sup> DIC0016622 (noted as Transaction #3892925047)

<sup>35</sup> DIC0016645 and DIC0016646

<sup>36</sup> DIC0016802

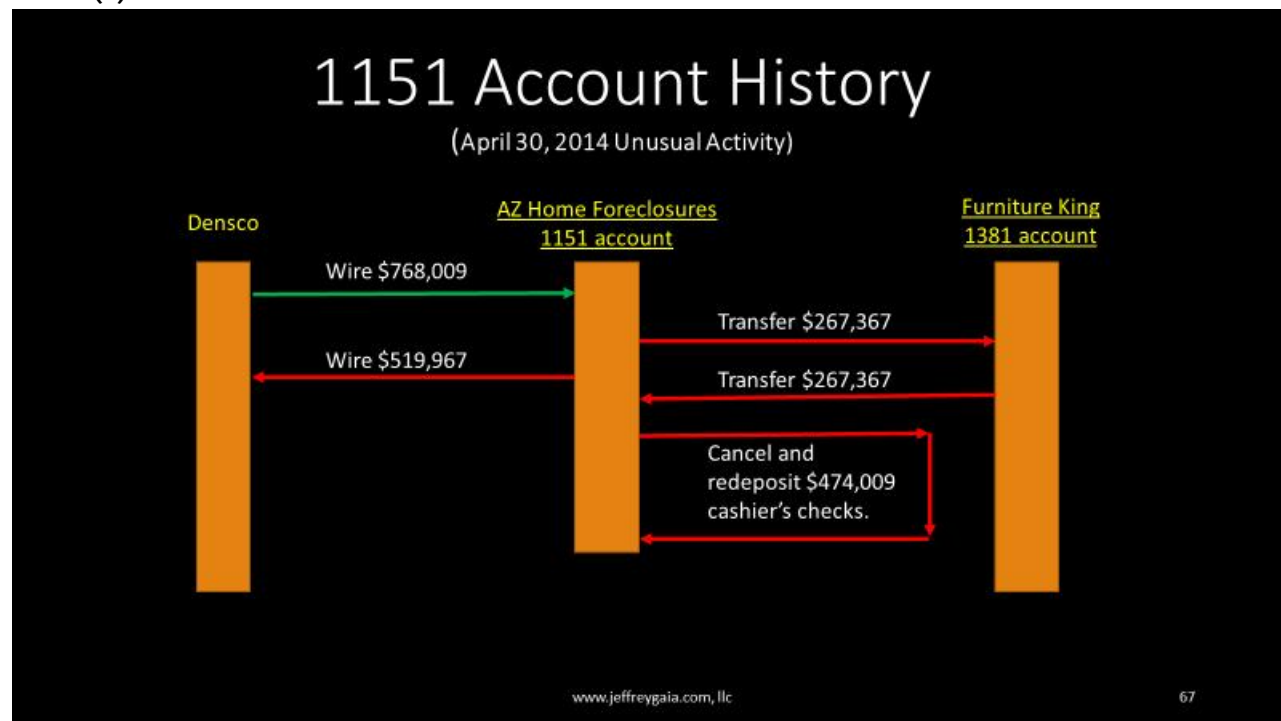
<sup>37</sup> DIC0016803

<sup>38</sup> DIC0016649

<sup>39</sup> DIC0016626

These April 30<sup>th</sup> transactions are graphically portrayed in Chart (5) below:

Chart (5)



### 3.2.2 Red Flag #2 -- Suspicious Gambling Transactions

One additional example is worth noting. On May 2, 2014 (which, again, was within the review period of the JPM compliance investigator), Menaged initiated another series of transactions which were inconsistent with the operations of his business and served no legitimate business purpose. Specifically, on that date the following transactions occurred:

- On May 2, 2014, the -1151 account received a wire transfer in the amount of \$412,400<sup>40</sup> from DenSco's Bank of America account. The memo line noted two property addresses of "2465 S Compton" and "326 E Laure (sic)".
- On the same day, Menaged requested that JPM issue three cashier's checks in the amounts of \$114,200,<sup>41</sup> \$171,600<sup>42</sup> and \$96,613<sup>43</sup> (a total of \$382,413). These checks were ostensibly issued to pay for properties purchased at trustee sales. These cashier's checks were not used for the intended purpose. Instead, all were cancelled and redeposited<sup>44</sup> into the -1151 account.

<sup>40</sup> DIC0016814

<sup>41</sup> DIC0016836

<sup>42</sup> DIC0016837

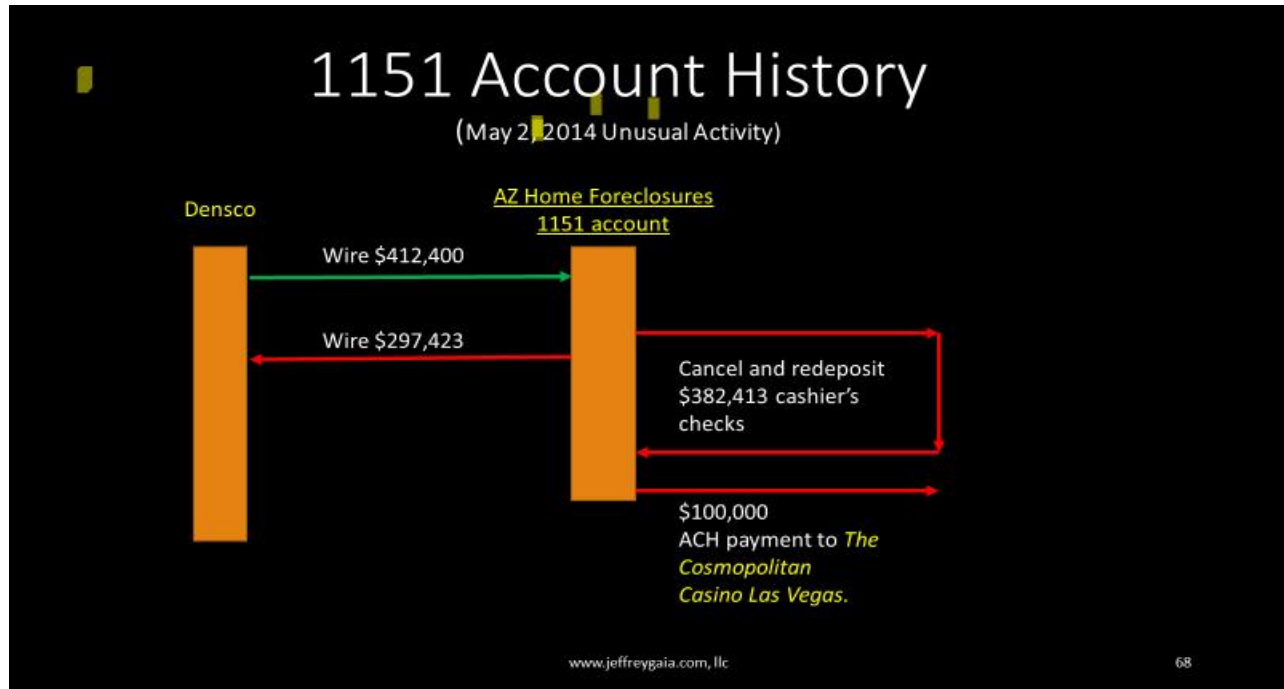
<sup>43</sup> DIC0016838

<sup>44</sup> DIC0016814

- On that same day, Menaged round-tripped one wire in the amount of \$297,423.85<sup>45</sup> from the -1151 account back to the identical DenSco account at Bank of America, purportedly as a payoff of prior loans.
- On that same day, Menaged initiated a wire transfer in the amount of \$100,000<sup>46</sup> payable to the Cosmopolitan Casino Las Vegas.

These April 30<sup>th</sup> transactions are graphically portrayed in Chart (6) below:

Chart (6)



The payment to The Cosmopolitan Casino was not an isolated incident. In fact, during the period under review by the JPM compliance investigator (April 9 through May 12, 2014), there were a series of such payments consisting of the following:

- A cashier's check in the amount of \$50,000<sup>47</sup> on April 11th payable to The Palms Casino.
- A cashier's check in the amount of \$100,000<sup>48</sup> on April 25th payable to The Palms Casino.
- A cashier's check in the amount of \$100,000<sup>49</sup> on May 2<sup>nd</sup> payable to The Cosmopolitan Casino.

These three transactions in the cumulative amount of \$250,00 were inconsistent with the operations of the foreclosure business and served no legitimate business purpose. Clearly,

<sup>45</sup> DIC0016819

<sup>46</sup> DIC0016819

<sup>47</sup> DIC0016653

<sup>48</sup> DIC0016777

<sup>49</sup> DIC0016819

these transactions should have been flagged as “suspicious” given the nature of the business account, but it is unclear in JPM’s internal compliance investigation if the investigator reviewed and/or commented on any of these suspicious transactions. Additionally, subsequent monthly statements are replete with dozens of additional gambling withdrawals, all of which are readily identifiable in the monthly statements, as noted in Chart (7).<sup>50</sup>

Chart (7)

<b>1151 Account Gambling Withdrawals</b>			
<b>Date</b>	<b>Payee</b>	<b>Amount</b>	<b>Bates Reference</b>
4/11/2014	Cashier's Check-The Palms Casino	\$ 50,000	DIC0016653
4/25/2014	Cashier's Check-The Palms Casino	\$ 100,000	DIC0016777
5/2/2014	Cashier's Check-The Cosmopolitan Casino	\$ 100,000	DIC0016819
5/28/2014	ATM-Casino Arizona	\$ 502	DIC0016818
5/29/2014	Card Purchase-Casino Arizona	\$ 5,112	DIC0016818
6/9/2014	Card Purchase-Casino Arizona	\$ 10,300	DIC0017179
6/10/2014	Card Purchase-Casino Arizona	\$ 15,450	DIC0017179
6/11/2014	Card Purchase-Casino Arizona	\$ 15,450	DIC0017180
6/16/2014	Card Purchase-Casino Arizona	\$ 1,002	DIC0017180
6/17/2014	Card Purchase-Casino Arizona	\$ 20,600	DIC0017180
6/18/2014	Card Purchase-Casino Arizona	\$ 20,600	DIC0017180
6/23/2014	Card Purchase-Casino Arizona	\$ 1,002	DIC0017180
7/3/2014	Card Purchase-Casino Arizona	\$ 20,600	DIC0017570
7/3/2014	ATM-Casino Arizona	\$ 1,002	DIC0017570
7/7/2014	Card Purchase-Casino Arizona	\$ 20,600	DIC0017570
7/8/2014	ATM-Casino Arizona	\$ 1,002	DIC0017570
7/9/2014	Card Purchase-Casino Arizona	\$ 20,600	DIC0017570
7/9/2014	Card Purchase-Casino Arizona	\$ 20,600	DIC0017570
7/22/2014	ATM-Casino Arizona	\$ 1,002	DIC0017570
7/22/2014	ATM-Casino Arizona	\$ 1,002	DIC0017570
7/23/2014	Card Purchase-Casino Arizona	\$ 20,600	DIC0017570
7/23/2014	Card Purchase-Casino Arizona	\$ 10,300	DIC0017570
7/29/2014	Card Purchase-Casino Arizona	\$ 20,600	DIC0017570
8/1/2014	ATM-Casino Arizona	\$ 1,002	DIC0017921
8/4/2014	Card Purchase-Casino Arizona	\$ 20,600	DIC0017921
8/12/2014	Card Purchase-Casino Arizona	\$ 20,600	DIC0017921
9/3/2014	Card Purchase-The Cosmopolitan Casino	\$ 41,400	DIC0018249
9/15/2014	Card Purchase-Casino Arizona	\$ 20,600	DIC0018249
9/26/2014	ATM-Indian Bend Talking Stick Casino	\$ 1,002	DIC0018249
10/9/2014	Card Purchase-Casino Arizona	\$ 20,600	DIC0018613
11/19/2014	Card Purchase-Talking Stick Casino	\$ 20,600	DIC0018882
1/6/2015	Card Purchase-Talking Stick Casino	\$ 20,600	DIC0019392
1/6/2015	Card Purchase-Gila River Casino	\$ 20,602	DIC0019392
1/26/2015	Card Purchase-Gila River Casino	\$ 20,602	DIC0019392
<b>Total Gambling Withdrawals</b>		<b>\$ 686,134</b>	

There is no evidence produced to support the contention that these gambling expenditures could have been considered normal transactions for the -1151 account. Nor was there any evidence produced to support a contention that there was a legitimate business purpose underlying these transactions. Lacking these features, the gambling transactions fit the classic definition of “suspicious activity.”

<sup>50</sup> This is not a complete list of all gambling withdrawals from the -1151 account, but rather this list includes withdrawals that were readily identifiable due to descriptions within the monthly account statements. There are additional gambling withdrawals that are included in sections identified as “Checks Paid” and “Fees and Other Withdrawals” which do not contain payee descriptions. Chart (10) includes only those gambling withdrawals that made specific reference to the payee in the monthly statement, and therefore should have been readily apparent to the JPM compliance investigator without further investigation.



Ironically, there is direct evidence that JPM personnel were acutely aware of these transactions and affirmatively facilitated these withdrawals. Direct testimony of Menaged in another legal matter<sup>51</sup> describes the complicity of JPM in the gambling transactions:<sup>52</sup>

*"Q. Did you ever deal with cash coming into or coming out of the DenSco – I'm sorry – the AZ Foreclosure account?*

*A. I did.*

*Q. Let's talk about withdrawals. How did you withdraw moneys (sic)?*

*A. In the branch.*

*Q. Did they ever ask what the cash was for?*

*A. Sometimes...They knew I gambled a lot. That was a big thing of theirs that they knew. Because my debit card was having an issue at the casino. When you try to use over a certain dollar amount, it usually declines and then you've got to call and there is a whole 30-minute wait process.*

*And so when I went into the branch, I told Samantha, "Hey, we need to fix this. I don't want to keep going through this."*

*And so she called someone at the credit card – or the debit card fraud prevention department and put notes on my account that anything up to – I think it was 40 or \$50,000 a transaction that I could withdraw using my debit card at a casino. And so randomly the casino would call her to verify that my transaction was okay.*

*Or, if I had to wire money to Las Vegas. She'd do the wire for me all the time. If I had to get a cashier's check to go into the casino, she's the one that issued it.*

*Or the casinos in Vegas would call her and confirm the fact that she issued the cashier's checks or she issued the wire. You know, they are very concerned in Vegas. They want to make sure there's real money and there's no games going on. So she always verified that with them.*

*Q. And all this was coming out of the Arizona Foreclosures' account?*

*A. Correct.*

*Q. Because they told you that, correct?*

*A. Correct."*

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<sup>51</sup> CV2016-014142 filed in Maricopa County Superior Court

<sup>52</sup> Deposition of Yomtov Scott Menaged on December 8, 2017 in the matter of CV2016-014142, pg. 20, lines 2-25, pg. 21. Lines 1-21

### 3.2.3 Red Flag #3 -- The Unusual Composition of Account Deposits

As previously mentioned, under the requirements of the USA Patriot Act, a financial institution is required to document the nature of the business upon opening an account. In the case of the -1151 Arizona Home Foreclosures LLC account, the purpose<sup>53</sup> of the business was to purchase properties at foreclosure and then resell these properties to third-party buyers. Accordingly, the deposit activity should include a relatively balanced level of deposit transactions sourced both from wires sent by “lenders” (used to finance the initial acquisition price), and then subsequent incoming deposits from “third-party buyers” when the properties are sold. Typically, such third-party transactions would often (but not always) be transacted through a Title and Escrow company. Essentially, Arizona Foreclosures LLC was a “middleman” which gathered inventory in the form of residential real estate purchased at foreclosure auctions, and then resold these same properties to third-party buyers.

So, the deposit composition of the -1151 account activity should consist of both “Financial Deposit Transactions” (i.e., incoming wires from lenders to finance the initial acquisition price) and a roughly equivalent volume of “Commercial Deposit Transactions” (incoming wires resulting from the sale of the acquired properties to third-party buyers). However, this was never the case. For example, during April 2014 (the month that coincides with the period of the compliance investigation), this account recorded \$17.7 million in deposits. The actual sources of these deposits are shown below:

- Financial Deposit Transactions included \$10.3 million in wire transactions from DenSco (58.2%) as noted in Chart (8):

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<sup>53</sup> The purpose of the business is documented in the Investigative Referral document (JPMC001188) which states, “Business Description in Contact Manager: Foreclosures Remodeling, Buying and Selling.” Furthermore, Menaged testified that branch personnel were aware of the business operations of the Arizona Foreclosures LLC account. See “Deposition of Yomtov Scott Menaged on December 8, 2017 in the matter of CV2016-014142, pg. 18, lines 14-24.”

Chart (8)

<i>DenSco Wire Deposits--April 2014</i>		
Date	Source	Amount
04/09/14	Densco Investment Corp.	\$ 424,100
04/09/14	Densco Investment Corp.	\$ 605,900
04/10/14	Densco Investment Corp.	\$ 457,700
04/11/14	Densco Investment Corp.	\$ 553,100
04/14/14	Densco Investment Corp.	\$ 900,400
04/15/14	Densco Investment Corp.	\$ 515,000
04/16/14	Densco Investment Corp.	\$ 582,800
04/16/14	Densco Investment Corp.	\$ 274,300
04/17/14	Densco Investment Corp.	\$ 478,600
04/18/14	Densco Investment Corp.	\$ 457,550
04/21/14	Densco Investment Corp.	\$ 349,283
04/22/14	Densco Investment Corp.	\$ 399,600
04/23/14	Densco Investment Corp.	\$ 992,201
04/24/14	Densco Investment Corp.	\$ 731,600
04/25/14	Densco Investment Corp.	\$ 621,900
04/28/14	Densco Investment Corp.	\$ 692,900
04/29/14	Densco Investment Corp.	\$ 471,100
04/30/14	Densco Investment Corp.	\$ 768,009
<b>Total DenSco Deposits--April 2014</b>		<b>\$ 10,276,043</b>

- Financial Deposit Transactions included \$6.1 million in Issued & Redeposited Cashier's Checks (34.5%) as noted in Chart (9):

### Chart (9)

[illegible]

- Financial Deposit Transactions included \$0.3 million in Account Transfers from other Menaged-controlled accounts (1.8%) as noted in Chart (10):

Chart (10)

<i>Account Transfers -- April 2014</i>		
Date	Source	Amount
04/08/14	Furniture King, LLC - Chase 1381	\$ 1,000
04/15/14	Furniture King, LLC - Chase 1381	\$ 4,000
04/22/14	Furniture King, LLC - Chase 1381	\$ 7,500
04/23/14	Furniture King, LLC - Chase 1381	\$ 32,000
04/30/14	Furniture King, LLC - Chase 1381	\$ 276,367
	<b>Total Transfers -- April 2014</b>	<b>\$ 320,867</b>

- Therefore, Financial Deposit Transactions totaled \$16.8 million, or 94.5% of total deposits for the month of April 2014. In one manner or another, all of these deposits were involved in fraudulent activity.
- Less than \$.9 million (5%) of April 2014 Total Deposits were sourced from third-party Commercial Deposit Transactions. Approximately \$0.2 million was sourced from non-real estate activities related to other Menaged businesses. And approximately \$0.7 million (4.0%) was generated from the sale or management of real estate as noted in Chart (11):

Chart (11)

<i>Commercial Deposit Transactions -- April 2014</i>		
Date	Source	Amount
04/11/14	Salvatore & Josephine Baratto	\$ 1,444
04/14/14	Property Purchase/Sale	\$ 154,900
04/16/14	Active Funding Group, LLC	\$ 390
04/16/14	Active Funding Group, LLC	\$ 248
04/16/14	Income - Rental/Refunds	\$ 853
04/16/14	Property Purchase/Sale	\$ 24
04/16/14	Property Purchase/Sale	\$ 432
04/16/14	Property Purchase/Sale	\$ 4,499
04/21/14	Income - Rental/Refunds	\$ 2,546
04/21/14	Other 3rd Party Loans	\$ 100,000
04/21/14	Salvatore & Josephine Baratto - Leg	\$ 3,126
04/22/14	Property Purchase/Sale	\$ 217,900
04/24/14	Property Purchase/Sale	\$ 13,900
04/25/14	Income - Rental/Refunds	\$ 457
04/29/14	Eric Weinbrenner/EZ Homes, Inc.	\$ 5,400
04/29/14	Income - Rental/Refunds	\$ 791
04/29/14	Property Purchase/Sale	\$ 13,000
04/30/14	Income - Rental/Refunds	\$ 590
04/30/14	Property Purchase/Sale	\$ 117,000
04/30/14	Property Purchase/Sale	\$ 0
04/30/14	Property Purchase/Sale	\$ 9,678
04/30/14	Property Purchase/Sale	\$ 41,980
	<b>Total Commercial Deposit Transactions -- April 2014</b>	<b>\$ 689,158</b>

This detail highlights the true nature of the account deposit transactions, namely, the overwhelming majority (94.5%) of account deposit transactions in April 2014 were elements of the fraud. The April 2014 deposit transactions were within the timeframe covered in the JPM compliance investigation (April 9 through May 12, 2014). The results are shocking in that approximately 95% of the deposit activity in April 2014 was involved in fraudulent transactions. The willful blindness of JPM's compliance investigator (Alexander Gil), and the ongoing willful blindness of the branch personnel, allowed Menaged to operate his fraud scheme starting from the first day that the -1151 account was opened on April 9, 2014. *The overwhelming number of transactions in this account were fraud-based activities that served no legitimate purpose.*

### 3.3 The Willful Blindness of JPM

It was apparent from the first day after the -1151 account was opened in early April 2014 that suspicious activity was present. JPM had sufficient factual information in its possession to know of the suspicious and criminal activity. This activity was both transparent and pervasive, but JPM exhibited a willful blindness to these criminal activities. The JPM investigation failed to identify:

- From date of account opening (4/8/2014) through the date of the investigation (5/12/2014) there was unmistakable evidence of unusual transactions that served no legitimate commercial purposes.
- There were daily instances of incoming 3<sup>rd</sup> party (DenSco) wires which were then immediately wired back to DenSco.
- Daily instances of cashier's checks issued, but then immediately redeposited into the customer's account, with no reasonable explanation supporting these occurrences.
- Same-day internal transfers from the -1151 account to a related party account ("-1381"), with concurrent wires from the related account back to DenSco, often within a few hours of DenSco having wired funds to the -1151 account. Wires from the -1381 account to DenSco were in the exact amount as the transferred amounts from the -1151 account.
- Significant numbers and amounts of negotiable instruments payable to Las Vegas casinos, all payable from the business account.
- Significant numbers of debit card transactions resulting in hundreds of thousands of dollars of withdrawals payable to casinos.
- Account deposits were overwhelmingly sourced from DenSco, with minimal amounts sourced from commercial activity related to the nature of the business.

Each of these "red flag" activities was readily apparent in the transaction records of the -1151 account beginning on April 9, 2014 and extending through May 12, 2014, a timeframe that coincides exactly with the JPM internal compliance investigation. And during that timeframe, approximately 95% of the transactions in the account were related to suspicious, or fraudulent, activity.

The investigator (Alexander Gil) willfully and blindly ignored these obviously suspicious transactions. Instead, he performed a reputational investigation of both Menaged and the business name which included internet searches on both Google and Dirt Search.<sup>54</sup> The investigation concluded “no negative media found.” This investigation was, at best, superficial. The accounts were allowed to remain open, and the fraud continued.

### *3.4 Menaged's Actions After the Investigation Concluded*

Chart (12)

<i>Month</i>	<i>DenSco Wires In</i>
Apr-14	\$ 10,276,043
May-14	\$ 14,022,339
Jun-14	\$ 17,227,660
Jul-14	\$ 21,476,800
Aug-14	\$ 22,683,669
Sep-14	\$ 25,224,950
Oct-14	\$ 20,785,186
Nov-14	\$ 3,191,545
Dec-14	\$ 21,670,500
Jan-15	\$ 28,775,001
Feb-15	\$ 27,451,500
Mar-15	\$ 27,129,000
Apr-15	\$ 27,260,800
May-15	\$ 26,494,850
Jun-15	\$ 31,459,500
Jul-15	\$ 6,528,584
Aug-15	\$ 1,352,549
Sep-15	\$ 964,241
Oct-15	\$ 193,203
Total	\$ 334,167,920

By June 2014, Menaged's fraud in the -1151 account was fully operational. Branch personnel had reported the suspicious activity from early account transactions. Corporate compliance had performed its willfully blind investigation. Despite multiple warnings of suspicious activity, the accounts were allowed to remain open. Increasingly, Menaged appears to have become more emboldened with each fraudulent transaction. DenSco wires funding the fraud poured into the account. And Menaged's misappropriation of the DenSco investor funds grew. From the date of opening, the -1151 account received \$334,167,920 of incoming DenSco wire fundings. Monthly amounts are shown in Chart (12):

<sup>54</sup> DirtSearch is a free online tool to find information on people by state, including properties, criminal history, civil suits, and more. It relies on public records databases and data sources to find information on parties whose names have been inputted into the search engine. DirtSearch links all of these available online public records and data sources on the internet.

### 3.4.1 Issued and Cancelled Cashier's Checks

Chart (13)

Month	DenSco Wires In	Issued and Cancelled Cashier's Checks
Apr-14	\$ 10,276,043	\$ 6,079,895
May-14	\$ 14,022,339	\$ 10,561,532
Jun-14	\$ 17,227,660	\$ 14,465,844
Jul-14	\$ 21,476,800	\$ 19,548,567
Aug-14	\$ 22,683,669	\$ 20,894,279
Sep-14	\$ 25,224,950	\$ 23,566,083
Oct-14	\$ 20,785,186	\$ 24,046,163
Nov-14	\$ 3,191,545	\$ 19,668,990
Dec-14	\$ 21,670,500	\$ 22,733,506
Jan-15	\$ 28,775,001	\$ 25,840,320
Feb-15	\$ 27,451,500	\$ 25,848,747
Mar-15	\$ 27,129,000	\$ 27,167,470
Apr-15	\$ 27,260,800	\$ 26,241,797
May-15	\$ 26,494,850	\$ 24,376,748
Jun-15	\$ 31,459,500	\$ 20,221,901
Jul-15	\$ 6,528,584	
Aug-15	\$ 1,352,549	
Sep-15	\$ 964,241	
Oct-15	\$ 193,203	
Total	\$ 334,167,920	\$ 311,261,842

Concurrently, Menaged manufactured his fraud, first by requesting from JPM the issuance of cashier's checks against the DenSco fundings, ostensibly to fund the purchase of properties from successful trustee sale bids. As mentioned previously, most of the cashier's checks issued were immediately cancelled and redeposited once Menaged had taken images of the checks and sent these images to DenSco as "proof" that the funds were being used for the purpose intended. The "round-tripping" of cashier's checks is noted in Chart (13):

In total, JPM issued 1344 fraudulent cashier's checks in a face amount of \$311.3 million in direct support of Menaged's fraud against DenSco. *These transactions served no legitimate business purpose and should have been reported as "suspicious" under AML reporting regulations and corporate policies, procedures and practices.*

### 3.4.2 Round-Tripped Repayments

Step two of the fraud scheme involved the immediate return of the majority of these funds to DenSco disguised as "repayments" against prior loan advances.<sup>55</sup> This classic Ponzi scheme tactic was implemented by Menaged with the direct assistance of JPM.<sup>56</sup> Upon receipt of a DenSco wire deposit into the -1151 account, Menaged would, within the same day, wire a portion of these funds directly back to the DenSco account at Bank of America. In addition,

<sup>55</sup> Menaged admitted to, and explained, this "round tripping" of DenSco funds in his deposition testimony. See "Deposition of Yomtov Scott Menaged on December 8, 2017 in the matter of CV2016-014142, pg. 16, line 25 and pg. 17, lines 1-17".

<sup>56</sup> JPM's complicity in "quarterbacking" the fraudulent cashier's check scheme is explained in detail in the Menaged deposition dated December 8, 2017. See "Deposition of Yomtov Scott Menaged on December 8, 2017 in the matter of CV2016-014142, pg. 5, lines 2-25, pg. 6, lines 1-25, pg. 7, lines 1-25, and pg. 8, lines 1-13".



during the May to October 2014 timeframe, he would often move a portion of the DenSco funds via an electronic account transfer from the -1151 account to the -8371 account, and then wire an identical amount back to the DenSco account at Bank of America. This interim step appears to be an attempt by Menaged to obscure the source of the repayment coming from a prior DenSco wire transfer. With these Ponzi-like techniques, Menaged round-tripped \$302,779,707 (91%) immediately back to DenSco on a “same day as received” basis. *These transactions served no legitimate business purpose and should have been reported as “suspicious” under AML reporting regulations and corporate policies, practices and procedures.* This activity is summarized in Chart (14):

Chart (14)

Month	DenSco Wires In	Issued and Cancelled Cashier's Checks	Repayments to DenSco	Round Trip - 1151 to -8371 to DenSco
Apr-14	\$ 10,276,043	\$ 6,079,895	\$ 6,792,345	
May-14	\$ 14,022,339	\$ 10,561,532	\$ 10,549,561	\$ 436,571
Jun-14	\$ 17,227,660	\$ 14,465,844	\$ 11,466,234	\$ 450,582
Jul-14	\$ 21,476,800	\$ 19,548,567	\$ 17,612,017	\$ 1,486,781
Aug-14	\$ 22,683,669	\$ 20,894,279	\$ 13,623,338	\$ 5,402,010
Sep-14	\$ 25,224,950	\$ 23,566,083	\$ 14,959,198	\$ 8,302,164
Oct-14	\$ 20,785,186	\$ 24,046,163	\$ 10,511,398	\$ 7,538,084
Nov-14	\$ 3,191,545	\$ 19,668,990	\$ 511,522	
Dec-14	\$ 21,670,500	\$ 22,733,506	\$ 21,492,713	
Jan-15	\$ 28,775,001	\$ 25,840,320	\$ 27,338,350	
Feb-15	\$ 27,451,500	\$ 25,848,747	\$ 26,213,208	
Mar-15	\$ 27,129,000	\$ 27,167,470	\$ 27,434,686	
Apr-15	\$ 27,260,800	\$ 26,241,797	\$ 26,467,520	
May-15	\$ 26,494,850	\$ 24,376,748	\$ 26,284,162	
Jun-15	\$ 31,459,500	\$ 20,221,901	\$ 31,095,849	
Jul-15	\$ 6,528,584		\$ 5,521,493	
Aug-15	\$ 1,352,549		\$ 463,021	
Sep-15	\$ 964,241		\$ 707,175	
Oct-15	\$ 193,203		\$ 119,725	
Total	\$ 334,167,920	\$ 311,261,842	\$ 279,163,515	\$ 23,616,192

Upon completion of these “Ponzi” repayments, there was a remaining balance of \$31.4 million from the DenSco advances. What follows is a “roadmap” on how this cash was spent by Menaged.

### 3.4.3 Gambling Withdrawals

It would not be inaccurate to describe Menaged as running a small “fix and flip” real estate operation inside a massive Ponzi scheme. Menaged did, in fact, occasionally purchase properties with the DenSco advances, but more often spent substantial amounts of the remaining funds on “lifestyle” expenses. For example, during the April 2014 to October 2015

time period, Menaged withdrew at least \$2.3 million which fed his gambling addiction. Chart (15) summarizes his gambling-related withdrawals from the -1151 account.

Chart (15)

<i>Month</i>	<i>DenSco Wires In</i>	Issued and Cancelled Cashier's Checks	Repayments to DenSco	Round Trip - 1151 to -8371 to DenSco	Gambling Withdrawals
Apr-14	\$ 10,276,043	\$ 6,079,895	\$ 6,792,345		\$ 150,000
May-14	\$ 14,022,339	\$ 10,561,532	\$ 10,549,561	\$ 436,571	\$ 205,112
Jun-14	\$ 17,227,660	\$ 14,465,844	\$ 11,466,234	\$ 450,582	\$ 82,400
Jul-14	\$ 21,476,800	\$ 19,548,567	\$ 17,612,017	\$ 1,486,781	\$ 133,900
Aug-14	\$ 22,683,669	\$ 20,894,279	\$ 13,623,338	\$ 5,402,010	\$ 141,200
Sep-14	\$ 25,224,950	\$ 23,566,083	\$ 14,959,198	\$ 8,302,164	\$ 62,000
Oct-14	\$ 20,785,186	\$ 24,046,163	\$ 10,511,398	\$ 7,538,084	\$ 100,600
Nov-14	\$ 3,191,545	\$ 19,668,990	\$ 511,522		\$ 20,600
Dec-14	\$ 21,670,500	\$ 22,733,506	\$ 21,492,713		\$ -
Jan-15	\$ 28,775,001	\$ 25,840,320	\$ 27,338,350		\$ 161,804
Feb-15	\$ 27,451,500	\$ 25,848,747	\$ 26,213,208		
Mar-15	\$ 27,129,000	\$ 27,167,470	\$ 27,434,686		
Apr-15	\$ 27,260,800	\$ 26,241,797	\$ 26,467,520		
May-15	\$ 26,494,850	\$ 24,376,748	\$ 26,284,162		
Jun-15	\$ 31,459,500	\$ 20,221,901	\$ 31,095,849		\$ 291,702
Jul-15	\$ 6,528,584		\$ 5,521,493		\$ 38,114
Aug-15	\$ 1,352,549		\$ 463,021		\$ 609,492
Sep-15	\$ 964,241		\$ 707,175		\$ 282,509
Oct-15	\$ 193,203		\$ 119,725		\$ 20,602
<b>Total</b>	<b>\$ 334,167,920</b>	<b>\$ 311,261,842</b>	<b>\$279,163,515</b>	<b>\$ 23,616,192</b>	<b>\$ 2,300,035</b>

It is important to note that the actual amount withdrawn to support Menaged's gambling habit was actually greater than the \$2.3 million identified as having been withdrawn from the -1151 account, as he transferred millions of dollars from the -1151 account to the -8371 account, and there are additional documented gambling withdrawals from that account as well. *These transactions served no legitimate business purpose and should have been reported as "suspicious" under AML reporting regulations.*

#### 3.4.4 Cash Withdrawals

In addition to his gambling withdrawals, Menaged also withdrew more than \$1.2 million in cash from the -1151 account. The majority of these withdrawals were "at the counter" withdrawals inside the branch<sup>57</sup> (which should have raised "suspicion" on the part of branch personnel).

<sup>57</sup> JPM produced email records which document Menaged's requests for branch personnel to prepare cash amounts ranging from \$6 thousand to \$40 thousand beginning in mid-2014 through mid-2015. For examples, see

There were also significant amounts withdrawn from ATM machines, principally at casino locations. These monthly cash withdrawals are noted in Chart (16):

Chart (16)

Month	DenSco Wires In	Issued and Cancelled Cashier's Checks	Repayments to DenSco	Round Trip - 1151 to -8371 to DenSco	Gambling Withdrawals	Cash Withdrawals
Apr-14	\$ 10,276,043	\$ 6,079,895	\$ 6,792,345		\$ 150,000	\$ 30,000
May-14	\$ 14,022,339	\$ 10,561,532	\$ 10,549,561	\$ 436,571	\$ 205,112	\$ 65,502
Jun-14	\$ 17,227,660	\$ 14,465,844	\$ 11,466,234	\$ 450,582	\$ 82,400	\$ 67,004
Jul-14	\$ 21,476,800	\$ 19,548,567	\$ 17,612,017	\$ 1,486,781	\$ 133,900	\$ 69,066
Aug-14	\$ 22,683,669	\$ 20,894,279	\$ 13,623,338	\$ 5,402,010	\$ 141,200	\$ 101,002
Sep-14	\$ 25,224,950	\$ 23,566,083	\$ 14,959,198	\$ 8,302,164	\$ 62,000	\$ 69,102
Oct-14	\$ 20,785,186	\$ 24,046,163	\$ 10,511,398	\$ 7,538,084	\$ 100,600	\$ 67,500
Nov-14	\$ 3,191,545	\$ 19,668,990	\$ 511,522		\$ 20,600	\$ 5,000
Dec-14	\$ 21,670,500	\$ 22,733,506	\$ 21,492,713		\$ -	\$ 19,606
Jan-15	\$ 28,775,001	\$ 25,840,320	\$ 27,338,350		\$ 161,804	\$ 60,000
Feb-15	\$ 27,451,500	\$ 25,848,747	\$ 26,213,208			\$ 21,500
Mar-15	\$ 27,129,000	\$ 27,167,470	\$ 27,434,686			\$ 24,000
Apr-15	\$ 27,260,800	\$ 26,241,797	\$ 26,467,520			\$ 216,500
May-15	\$ 26,494,850	\$ 24,376,748	\$ 26,284,162			\$ 245,000
Jun-15	\$ 31,459,500	\$ 20,221,901	\$ 31,095,849		\$ 291,702	\$ 70,000
Jul-15	\$ 6,528,584		\$ 5,521,493		\$ 38,114	\$ 31,000
Aug-15	\$ 1,352,549		\$ 463,021		\$ 609,492	\$ 32,406
Sep-15	\$ 964,241		\$ 707,175		\$ 282,509	\$ 40,000
Oct-15	\$ 193,203		\$ 119,725		\$ 20,602	\$ -
Total	\$ 334,167,920	\$ 311,261,842	\$279,163,515	\$23,616,192	\$ 2,300,035	\$ 1,234,188

*Withdrawals of this magnitude and frequency are highly unusual and should have been reported as "suspicious" under AML reporting regulations and corporate policies, procedures, and practices.*

### 3.4.5 Credit Card Payments

Menaged paid monthly statement balances on a variety of credit cards. Based on a review of monthly bank statements of the -1151 account, it appears that these credit cards were used for personal expenses as opposed to pay for supplies and materials related to his "fix and flip"

properties. "Fix and flip" expenses were typically covered under a subcontractor's account. During the period from April 2014 through October 2015, Menaged used \$2,044,548 of DenSco funding to satisfy outstanding credit card obligations. These monthly credit card payments are noted in Chart (17) below:

Chart (17)

Month	DenSco Wires In	Issued and Cancelled Cashier's Checks	Repayments to DenSco	Round Trip - 1151 to -8371 to DenSco	Gambling Withdrawals	Cash Withdrawals	Credit Card Payments
Apr-14	\$ 10,276,043	\$ 6,079,895	\$ 6,792,345		\$ 150,000	\$ 30,000	\$ 5,207
May-14	\$ 14,022,339	\$ 10,561,532	\$ 10,549,561	\$ 436,571	\$ 205,112	\$ 65,502	\$ 124,467
Jun-14	\$ 17,227,660	\$ 14,465,844	\$ 11,466,234	\$ 450,582	\$ 82,400	\$ 67,004	\$ 144,439
Jul-14	\$ 21,476,800	\$ 19,548,567	\$ 17,612,017	\$ 1,486,781	\$ 133,900	\$ 69,066	\$ 119,340
Aug-14	\$ 22,683,669	\$ 20,894,279	\$ 13,623,338	\$ 5,402,010	\$ 141,200	\$ 101,002	\$ 133,462
Sep-14	\$ 25,224,950	\$ 23,566,083	\$ 14,959,198	\$ 8,302,164	\$ 62,000	\$ 69,102	\$ 118,436
Oct-14	\$ 20,785,186	\$ 24,046,163	\$ 10,511,398	\$ 7,538,084	\$ 100,600	\$ 67,500	\$ 73,288
Nov-14	\$ 3,191,545	\$ 19,668,990	\$ 511,522		\$ 20,600	\$ 5,000	\$ 158,262
Dec-14	\$ 21,670,500	\$ 22,733,506	\$ 21,492,713		\$ -	\$ 19,606	\$ 176,553
Jan-15	\$ 28,775,001	\$ 25,840,320	\$ 27,338,350		\$ 161,804	\$ 60,000	\$ 141,340
Feb-15	\$ 27,451,500	\$ 25,848,747	\$ 26,213,208			\$ 21,500	\$ 65,686
Mar-15	\$ 27,129,000	\$ 27,167,470	\$ 27,434,686			\$ 24,000	\$ 106,813
Apr-15	\$ 27,260,800	\$ 26,241,797	\$ 26,467,520			\$ 216,500	\$ 65,371
May-15	\$ 26,494,850	\$ 24,376,748	\$ 26,284,162			\$ 245,000	\$ 80,768
Jun-15	\$ 31,459,500	\$ 20,221,901	\$ 31,095,849		\$ 291,702	\$ 70,000	\$ 81,515
Jul-15	\$ 6,528,584		\$ 5,521,493		\$ 38,114	\$ 31,000	\$ 180,894
Aug-15	\$ 1,352,549		\$ 463,021		\$ 609,492	\$ 32,406	\$ 112,772
Sep-15	\$ 964,241		\$ 707,175		\$ 282,509	\$ 40,000	\$ 127,935
Oct-15	\$ 193,203		\$ 119,725		\$ 20,602	\$ -	\$ 28,000
Total	\$ 334,167,920	\$ 311,261,842	\$279,163,515	\$23,616,192	\$ 2,300,035	\$ 1,234,188	\$2,044,548

*The use of DenSco funds to pay outstanding credit card debts incurred for personal expenses is not a legitimate business purpose, and the transactions should have been reported as "suspicious" under AML reporting regulations and corporate policies, practices, and procedures.*

### 3.4.6 Payments to Relatives

Approximately \$1.8 million of DenSco funds were used in payments to Joseph Menaged, who is believed to be the father of Yomtov Scott Menaged. These payments are summarized in Chart (18) below:

Chart (18)

Month	DenSco Wires In	Issued and Cancelled Cashier's Checks	Repayments to DenSco	Round Trip - 1151 to -8371 to DenSco	Gambling Withdrawals	Cash Withdrawals	Credit Card Payments	Payments to J. Menaged
Apr-14	\$ 10,276,043	\$ 6,079,895	\$ 6,792,345		\$ 150,000	\$ 30,000	\$ 5,207	\$ 46,975
May-14	\$ 14,022,339	\$ 10,561,532	\$ 10,549,561	\$ 436,571	\$ 205,112	\$ 65,502	\$ 124,467	\$ 154,145
Jun-14	\$ 17,227,660	\$ 14,465,844	\$ 11,466,234	\$ 450,582	\$ 82,400	\$ 67,004	\$ 144,439	\$ 125,879
Jul-14	\$ 21,476,800	\$ 19,548,567	\$ 17,612,017	\$ 1,486,781	\$ 133,900	\$ 69,066	\$ 119,340	\$ 52,043
Aug-14	\$ 22,683,669	\$ 20,894,279	\$ 13,623,338	\$ 5,402,010	\$ 141,200	\$ 101,002	\$ 133,462	\$ 115,468
Sep-14	\$ 25,224,950	\$ 23,566,083	\$ 14,959,198	\$ 8,302,164	\$ 62,000	\$ 69,102	\$ 118,436	\$ 106,286
Oct-14	\$ 20,785,186	\$ 24,046,163	\$ 10,511,398	\$ 7,538,084	\$ 100,600	\$ 67,500	\$ 73,288	\$ 156,543
Nov-14	\$ 3,191,545	\$ 19,668,990	\$ 511,522		\$ 20,600	\$ 5,000	\$ 158,262	\$ 68,697
Dec-14	\$ 21,670,500	\$ 22,733,506	\$ 21,492,713		\$ -	\$ 19,606	\$ 176,553	\$ 121,503
Jan-15	\$ 28,775,001	\$ 25,840,320	\$ 27,338,350		\$ 161,804	\$ 60,000	\$ 141,340	\$ 66,845
Feb-15	\$ 27,451,500	\$ 25,848,747	\$ 26,213,208			\$ 21,500	\$ 65,686	\$ 61,157
Mar-15	\$ 27,129,000	\$ 27,167,470	\$ 27,434,686			\$ 24,000	\$ 106,813	\$ 101,350
Apr-15	\$ 27,260,800	\$ 26,241,797	\$ 26,467,520			\$ 216,500	\$ 65,371	\$ 66,845
May-15	\$ 26,494,850	\$ 24,376,748	\$ 26,284,162			\$ 245,000	\$ 80,768	\$ 103,111
Jun-15	\$ 31,459,500	\$ 20,221,901	\$ 31,095,849		\$ 291,702	\$ 70,000	\$ 81,515	\$ 110,280
Jul-15	\$ 6,528,584		\$ 5,521,493		\$ 38,114	\$ 31,000	\$ 180,894	\$ 117,307
Aug-15	\$ 1,352,549		\$ 463,021		\$ 609,492	\$ 32,406	\$ 112,772	\$ 107,858
Sep-15	\$ 964,241		\$ 707,175		\$ 282,509	\$ 40,000	\$ 127,935	\$ 101,498
Oct-15	\$ 193,203		\$ 119,725		\$ 20,602	\$ -	\$ 28,000	\$ 56,845
Total	\$ 334,167,920	\$ 311,261,842	\$ 279,163,515	\$ 23,616,192	\$ 2,300,035	\$ 1,234,188	\$ 2,044,548	\$ 1,840,635

*All of these payments are inconsistent with the intended use of DenSco funds and should have been reported as "suspicious" under AML reporting regulations and corporate policies, practices, and procedures.*

### 3.4.7 Payments to Third-Party Lenders

Approximately \$3 million of DenSco funds were used to repay unrelated third-party lenders. Two lenders, Active Funding Group and Sell Wholesale Funding, received payments of \$2.7 million and \$0.2 million, respectively. These payments are summarized in Chart (19) below:

Chart (19)

Month	DenSco Wires In	Issued and Cancelled Cashier's Checks	Repayments to DenSco	Round Trip - 1151 to -8371 to DenSco	Gambling Withdrawals	Cash Withdrawals	Credit Card Payments	Payments to J. Menaged	Payments to Active Funding Group	Payments to Sell Wholesale Funding
Apr-14	\$ 10,276,043	\$ 6,079,895	\$ 6,792,345		\$ 150,000	\$ 30,000	\$ 5,207	\$ 46,975	\$ 208,436	\$ -
May-14	\$ 14,022,339	\$ 10,561,532	\$ 10,549,561	\$ 436,571	\$ 205,112	\$ 65,502	\$ 124,467	\$ 154,145	\$ 188,993	\$ 11,413
Jun-14	\$ 17,227,660	\$ 14,465,844	\$ 11,466,234	\$ 450,582	\$ 82,400	\$ 67,004	\$ 144,439	\$ 125,879	\$ 174,632	\$ 8,443
Jul-14	\$ 21,476,800	\$ 19,548,567	\$ 17,612,017	\$ 1,486,781	\$ 133,900	\$ 69,066	\$ 119,340	\$ 52,043	\$ 220,094	\$ 8,653
Aug-14	\$ 22,683,669	\$ 20,894,279	\$ 13,623,338	\$ 5,402,010	\$ 141,200	\$ 101,002	\$ 133,462	\$ 115,468	\$ 681,057	\$ 8,653
Sep-14	\$ 25,224,950	\$ 23,566,083	\$ 14,959,198	\$ 8,302,164	\$ 62,000	\$ 69,102	\$ 118,436	\$ 106,286	\$ 337,304	\$ 8,653
Oct-14	\$ 20,785,186	\$ 24,046,163	\$ 10,511,398	\$ 7,538,084	\$ 100,600	\$ 67,500	\$ 73,288	\$ 156,543	\$ 65,725	\$ 22,278
Nov-14	\$ 3,191,545	\$ 19,668,990	\$ 511,522		\$ 20,600	\$ 5,000	\$ 158,262	\$ 68,697	\$ 122,586	\$ -
Dec-14	\$ 21,670,500	\$ 22,733,506	\$ 21,492,713		\$ -	\$ 19,606	\$ 176,553	\$ 121,503	\$ 85,835	\$ 33,518
Jan-15	\$ 28,775,001	\$ 25,840,320	\$ 27,338,350		\$ 161,804	\$ 60,000	\$ 141,340	\$ 66,845	\$ 60,658	\$ 18,278
Feb-15	\$ 27,451,500	\$ 25,848,747	\$ 26,213,208			\$ 21,500	\$ 65,686	\$ 61,157	\$ 60,974	\$ 10,611
Mar-15	\$ 27,129,000	\$ 27,167,470	\$ 27,434,686			\$ 24,000	\$ 106,813	\$ 101,350	\$ 59,760	\$ 13,443
Apr-15	\$ 27,260,800	\$ 26,241,797	\$ 26,467,520			\$ 216,500	\$ 65,371	\$ 66,845	\$ 234,305	\$ 8,037
May-15	\$ 26,494,850	\$ 24,376,748	\$ 26,284,162			\$ 245,000	\$ 80,768	\$ 103,111	\$ 68,144	\$ 8,037
Jun-15	\$ 31,459,500	\$ 20,221,901	\$ 31,095,849		\$ 291,702	\$ 70,000	\$ 81,515	\$ 110,280	\$ 32,652	\$ 17,599
Jul-15	\$ 6,528,584		\$ 5,521,493		\$ 38,114	\$ 31,000	\$ 180,894	\$ 117,307	\$ 34,317	\$ -
Aug-15	\$ 1,352,549		\$ 463,021		\$ 609,492	\$ 32,406	\$ 112,772	\$ 107,858	\$ 35,434	\$ 16,075
Sep-15	\$ 964,241		\$ 707,175		\$ 282,509	\$ 40,000	\$ 127,935	\$ 101,498	\$ 44,580	\$ 8,037
Oct-15	\$ 193,203		\$ 119,725		\$ 20,602	\$ -	\$ 28,000	\$ 56,845	\$ 6,458	\$ 18,038
Total	\$ 334,167,920	\$ 311,261,842	\$ 279,163,515	\$ 23,616,192	\$ 2,300,035	\$ 1,234,188	\$ 2,044,548	\$ 1,840,635	\$ 2,721,944	\$ 219,766

*All of these payments are inconsistent with the intended use of DenSco funds and should have been reported as "suspicious" under AML reporting regulations and corporate policies, practices, and procedures.*

These unauthorized payments comprise \$10.4 million of the remaining balance of \$31.4 million from the DenSco advances. Fraudulent repayments, gambling withdrawals, cash withdrawals, credit card payments, payments to relatives, and third-party debt payments amounted to \$313.1 million (93.7%) of the \$334.2 million in advances from DenSco into the -1151 account. All of these transactions were fraudulent.

### 3.4.8 Property Acquisition/Rehab

However, there were legitimate payments for property acquisition rehab work amounting to \$15.4 million. These amounts are noted in Chart (20) under the headings of “Property Purchases” and “Keg Inspections.”<sup>58</sup>

Chart (20)

Month	DenSco Wires In	Issued and Canceled Cashier's Checks	Repayments to DenSco	Round Trip - 1151 to -8371 to DenSco	Gambling Withdrawals	Cash Withdrawals	Credit Card Payments	Payments to J. Menaged	Payments to Active Funding Group	Payments to Sell Wholesale Funding	Property Purchases	Keg Inspections (rehab work)
Apr-14	\$ 10,276,043	\$ 6,079,895	\$ 6,792,345		\$ 150,000	\$ 30,000	\$ 5,207	\$ 46,975	\$ 208,436	\$ -	\$ 2,949,806	\$ 311,312
May-14	\$ 14,022,339	\$ 10,561,532	\$ 10,549,561	\$ 436,571	\$ 205,112	\$ 65,502	\$ 124,467	\$ 154,145	\$ 188,993	\$ 11,413	\$ 2,319,546	\$ 412,001
Jun-14	\$ 17,227,660	\$ 14,465,844	\$ 11,466,234	\$ 450,582	\$ 82,400	\$ 67,004	\$ 144,439	\$ 125,879	\$ 174,632	\$ 8,443	\$ 2,185,600	\$ 256,706
Jul-14	\$ 21,476,800	\$ 19,548,567	\$ 17,612,017	\$ 1,486,781	\$ 133,900	\$ 69,066	\$ 119,340	\$ 52,043	\$ 220,094	\$ 8,653	\$ 1,084,121	\$ 293,576
Aug-14	\$ 22,683,669	\$ 20,894,279	\$ 13,623,338	\$ 5,402,010	\$ 141,200	\$ 101,002	\$ 133,462	\$ 115,468	\$ 681,057	\$ 8,653	\$ 497,018	\$ 262,392
Sep-14	\$ 25,224,950	\$ 23,566,083	\$ 14,959,198	\$ 8,302,164	\$ 62,000	\$ 69,102	\$ 118,436	\$ 106,286	\$ 337,304	\$ 8,653	\$ 58,277	\$ 289,706
Oct-14	\$ 20,785,186	\$ 24,046,163	\$ 10,511,398	\$ 7,538,084	\$ 100,600	\$ 67,500	\$ 73,288	\$ 156,543	\$ 65,725	\$ 22,278	\$ 237,045	\$ 255,436
Nov-14	\$ 3,191,545	\$ 19,668,990	\$ 511,522		\$ 20,600	\$ 5,000	\$ 158,262	\$ 68,697	\$ 122,586	\$ -	\$ 382,260	\$ 213,685
Dec-14	\$ 21,670,500	\$ 22,733,506	\$ 21,492,713		\$ -	\$ 19,606	\$ 176,553	\$ 121,503	\$ 85,835	\$ 33,518	\$ 358,650	\$ 167,733
Jan-15	\$ 28,775,001	\$ 25,840,320	\$ 27,338,350		\$ 161,804	\$ 60,000	\$ 141,340	\$ 66,845	\$ 60,658	\$ 18,278	\$ 394,659	\$ 122,251
Feb-15	\$ 27,451,500	\$ 25,848,747	\$ 26,213,208			\$ 21,500	\$ 65,686	\$ 61,157	\$ 60,974	\$ 10,611	\$ 908,700	\$ 118,281
Mar-15	\$ 27,129,000	\$ 27,167,470	\$ 27,434,686			\$ 24,000	\$ 106,813	\$ 101,350	\$ 59,760	\$ 13,443	\$ 11,341	\$ 128,519
Apr-15	\$ 27,260,800	\$ 26,241,797	\$ 26,467,520			\$ 216,500	\$ 65,371	\$ 66,845	\$ 234,305	\$ 8,037	\$ 47,479	\$ 88,706
May-15	\$ 26,494,850	\$ 24,376,748	\$ 26,284,162			\$ 245,000	\$ 80,768	\$ 103,111	\$ 68,144	\$ 8,037	\$ 126,159	\$ 81,084
Jun-15	\$ 31,459,500	\$ 20,221,901	\$ 31,095,849		\$ 291,702	\$ 70,000	\$ 81,515	\$ 110,280	\$ 32,652	\$ 17,599	\$ 86,533	\$ 70,665
Jul-15	\$ 6,528,584		\$ 5,521,493		\$ 38,114	\$ 31,000	\$ 180,894	\$ 117,307	\$ 34,317	\$ -	\$ 170,193	\$ 77,231
Aug-15	\$ 1,352,549		\$ 463,021		\$ 609,492	\$ 32,406	\$ 112,772	\$ 107,858	\$ 35,434	\$ 16,075	\$ 64,507	\$ 69,183
Sep-15	\$ 964,241		\$ 707,175		\$ 282,509	\$ 40,000	\$ 127,935	\$ 101,498	\$ 44,580	\$ 8,037	\$ 184,498	\$ 53,975
Oct-15	\$ 193,203		\$ 119,725		\$ 20,602	\$ -	\$ 28,000	\$ 56,845	\$ 6,458	\$ 18,038	\$ -	\$ 19,221
Total	\$ 334,167,920	\$ 311,261,842	\$ 279,163,515	\$ 23,616,192	\$ 2,300,035	\$ 1,234,188	\$ 2,044,548	\$ 1,840,635	\$ 2,721,944	\$ 219,766	\$ 12,066,392	\$ 3,291,663

*This total of \$15.4 million (4.6% of DenSco advances) appears to be the only portion of DenSco advances used to acquire and rehab residential properties.*

<sup>58</sup> “Keg Inspections” was determined by the DenSco bankruptcy trustee to be the firm that Menaged retained to perform rehab work on acquired properties.

Chart (21)

<i>DenSco Wires In</i>	\$	334,167,920	% of DenSco Advances
Repayments to DenSco	\$	302,779,707	90.61%
Gambling Withdrawals	\$	2,300,035	0.69%
Cash Withdrawals	\$	1,234,188	0.37%
Credit Card Payments	\$	2,044,548	0.61%
Payments to J. Menaged	\$	1,840,635	0.55%
Pmts to 3rd Party Lenders	\$	2,941,710	0.88%
Property Acquisition and Rehab	\$	15,358,055	4.60%

Chart (21) summarizes the use of DenSco funds advanced into the -1151 account during the period from April 2014 through October 2015. Of the total advances of \$334.2 million, only \$15.4 million (4.6%) was used to acquire and rehab investment properties. The remaining funds were used to sustain an elaborate Ponzi scheme designed to support Menaged's lifestyle.

### 3.4.9 JPM Employees Violated Corporate Policies

The account actions noted above were clearly identified as "potential suspicious activity" in JPM corporate policy documents, and the lack of reporting these transactions by employees were obvious violations of established policies. Specifically, JPM's Corporate Policy Manual covering "Suspicious Activity Reporting"<sup>59</sup> identifies a list of reportable "Potentially Suspicious Activities" under this policy. Such activities include:<sup>60</sup>

- *"Unusual large-dollar, cash transactions" which are further described as "...sudden withdrawals...where a customer...asks for the balance in cash..."*<sup>61</sup> and
- *"Unusual wire transfer activity" which is further described as "...outgoing wire transfers shortly after a deposit is made" and "...Outgoing wire transfers sent to parties who were recently involved in an incoming wire."*<sup>62</sup>

The referenced corporate policy requires all branch employees to be:

*"...alert to suspicious situations and are required to report suspected criminal activity to Corporate AML Compliance."*<sup>63</sup>

Furthermore, JPM's corporate policy manual includes reporting instructions for *"Potentially Unusual Activity"*<sup>64</sup> through its Teller Express system, and the policy further defines these reportable activities as:

<sup>59</sup> JPMC 0001287 thru 1293

<sup>60</sup> See JPMC 0001292

<sup>61</sup> Such cash transactions have been well-documented in this report, including multiple five figure cash withdrawals (e.g., JPMC 0000613/670/696/740/752/786/840/862/893/943/944/951/1007/1064.

<sup>62</sup> Such "round-trip" wire transactions have been well documented in this report.

<sup>63</sup> JPMC 0001287

<sup>64</sup> JPMC 0001294



***“...transactions with no logical economic purpose (such as no link between the customer/business and other parties<sup>65</sup> involved in the transaction.”<sup>66</sup>***

The transactions noted in this report were, overwhelmingly, reportable under existing corporate policy requirements covering ***“potentially unusual activity.”*** And, although such transactions were reported early in the life of the -1151 account, corporate policy required ongoing reporting. The passage of time did not alter the “unusual” nature of these transactions, and ongoing adherence to the corporate reporting requirements might have resulted in a different outcome in the size and scope of this fraud. Unfortunately, these reporting violations allowed Menaged to continue his fraud for an extended timeframe. Again, the willful blindness and disregard of JPM employees in the exercise of their duties allowed Menaged to continue his fraudulent scheme.

### **Conclusion**

This is an astonishing case. JPM possessed all the facts in its own records to have complete knowledge of Menaged’s fraudulent activities. One day after the -1154 account was started, the bank teller reported potential fraud, and reported it again the next month. JPM looked the other way.

Bank employees knew of Menaged’s extensive gambling activities and facilitated withdrawals for gambling. Bank employees issued over 1,000 cashier’s checks knowing each one would not be used for its intended purpose. Bank employees initiated wire transfers to facilitate the Ponzi scheme.

Here, JPM consistently over a long period of time looked blindly upon facts and activities that were both highly suspicious and fraudulent.

  
\_\_\_\_\_  
Jeffrey P. Gaia

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<sup>65</sup> Third party transactions, and transactions inconsistent with the normal operations of the business, including payments to unrelated lenders, casinos, relatives, “round trip” wire transactions, unexplained electronic transfers to other accounts with identical amounts then immediately wired back to DenSco identified as “loan repayments” are all well-documented in this report.

<sup>66</sup> JPMC 0001298

## Exhibit 1

### Resume of Jeffrey P. Gaia

Jeffrey P. Gaia  
5610 E. Sanna Street  
Paradise Valley, Arizona 85253  
(602) 741-4242

#### General Summary:

"C" level senior executive with thirty-four years of diversified experience including both line and staff assignments. Significant domestic and international experience. Proven ability to successfully lead franchises through periods of organizational change and strategy redirection.

#### Selected Professional Accomplishments:

- Co-founder of a "de novo" community bank (The Biltmore Bank of Arizona) which grew to \$300 million in assets prior to its sale in 2012.
- Developed and executed comprehensive business strategies for major line and staff units which resulted in significant improvements in business franchise value and operating results.
- Directly responsible for restructuring the mortgage banking subsidiary of Banc One Corporation from a portfolio lending focus to a secondary market-based operation. Improved pre-tax income by \$55 million in an eighteen month period.
- Directly responsible for successfully restructuring an \$800 million asset, thirty-five branch, bank subsidiary of Banc One Corporation. Achieved a 1.51% ROA and record earnings in the first year of assignment.
- Directly responsible for establishing a "de novo" corporate treasury function for a UK-based group of subsidiaries of Citibank N.A. to support a \$4.3 billion balance sheet. Developed and executed state-of-the-art asset/liability management strategies to support this retail-based franchise.
- Developed innovative and cost-effective long-term funding strategies in both domestic and international capital markets. Structures included Eurocurrency floating rate notes, fronted and parallel loans, fixed and floating rate mortgage-backed structures, and unrated domestic private placements.
- Organized and managed major line businesses and staff units comprised of headcounts of up to 2,500 with operating budgets in excess of \$200 million.

## Business Experience:

2003 – 2014 The Biltmore Bank of Arizona

President and Chief Executive Officer – March 2003 to June 2014

Full P&L responsibility for a \$300 million community bank. I was a co-founder of this “de novo” institution in 2003 and led the organization from its initial application for a bank charter through its sale in December 2012. The Bank targets small and mid-sized businesses within the greater Phoenix area. Responsibilities included both operational and strategic issues.

2001 – 2003 California Bank & Trust (CBT)

Managing Director

Full P&L responsibility for an 80 branch banking network spread from Orange County, California to Northern California. CBT is an \$11 billion subsidiary of Zions Bancorp. Line of business responsibility included Business Banking (small business), SBA Lending, Retail Banking and Consumer Lending.

1993 – 2001 Bank One Corporation (acquired by JP Morgan Chase)

President, Bank One Business Banking Division – December 1997 to January 2001

Full P&L responsibility for Bank One’s national line of business targeting small business enterprises located in the 13 state corporate footprint. Directly managed a balance sheet of \$35 billion in footings (\$20 billion of deposits and \$15 billion of loans) with pre-tax earnings of \$450 million. Major responsibilities included both strategy development and execution. Led the effort to develop one of the first web-based small business portals in the financial services industry.

Chairman and President, Banc One Mortgage Corporation – October 1994 to November 1997

Chairman and President of the national mortgage banking subsidiary of Bank One Corporation. The franchise generated 1996 originations of \$3.5 billion, a servicing portfolio of \$25 billion, and an operating expense base of \$125 million. Improved pre-tax operating results by \$55 million from 1995 to 1996 through a rigorous assessment, and subsequent restructuring, of the origination activities of the business. Developed an integration strategy (in conjunction with the Bank One Retail Operating Group) to position the mortgage product as a “gateway” for cross-selling of high-margin Bank products.

Chairman and President, Bank One, Utah – January 1993 through September 1994

Chairman and Chief Executive Officer of Bank One, Utah, an \$800 million asset subsidiary of Bank One Corporation. Full P&L responsibility for this state franchise, including managing a \$40 million operating budget for this 30 branch statewide franchise. Directly responsible for the major restructuring of this operation which resulted in record earnings in 1993 of \$12.4 million (a 1.51% return on assets), and significant market share gains in core deposits and loans. Also,

responsible for successfully identifying, negotiating, and closing several portfolio and/or bank acquisitions which significantly enhanced local market share and profitability of the Utah franchise.

1988 – 1993 Valley National Corporation (acquired by Bank One Corporation)

Senior Vice President, Risk Control Division – March 1992 through December 1992

Chief Loan Examiner for Valley National Corporation (VNC). Responsible for managing the ongoing regulatory relationships with the Office of the Comptroller of the Currency (OCC) and Federal Deposit Insurance Corporation (FDIC). Member of the Executive Management Committee, Corporate Credit Policy Committee, and Senior Loan Committee. Reported to the Chairman of the Board of VNC.

Senior Vice President, Special Credits Division – July 1990 through February 1992

Business manager for a classified asset portfolio of approximately \$470 million. Portfolio consisted of commercial, corporate, and real estate credits. Responsible for development and execution of workout strategies relating to this portfolio. Member of the Corporate Credit Policy Committee, Senior Loan Committee, and Special Credits Committee. Reported to the Senior Executive Vice President/Chief Credit Officer of the Bank.

President, Valley National Mortgage Company – April 1989 through June 1990

Business manager of the mortgage banking subsidiary of VNC. Complete P&L responsibility for this business with 1990 originations of \$450 million, a \$13 million expense base, and a \$2 billion servicing portfolio. Increased origination levels by 390%. Developed and executed a strategic plan which streamlined sales and production functions, redefined our product and pricing strategies, and resulted in an earnings improvement from monthly operating losses of \$300 thousand to a monthly profit of \$200 thousand (a 20% return on equity). Increased market share from 1% to 8.8% statewide. Reported to the Executive Vice President, Retail Banking Group.

Senior Vice President, Corporate Treasury Division – October 1988 through March 1989

Division manager responsible for long-term capital planning, investment banking relationships, asset/liability management, product profitability/cost of funds analysis, and structured finance activities. Developed and executed state-of-the-art asset/liability management strategies to manage the interest rate and liquidity risks of an \$11.5 billion balance sheet. Member of the Corporate ALCO Committee. Reported to the Executive Vice President, Chief Financial Officer of the Bank.

1985 – 1988 Citicorp

Vice President and Regional Treasurer, Citibank Savings – April 1987 through October 1988

Regional Treasurer for a group of UK-based subsidiaries representing Citibank's consumer franchise in the United Kingdom. Directly responsible for establishing a "de novo" corporate treasury function tasked with interest rate and liquidity management responsibilities to support

a \$4.3 billion balance sheet. Developed and executed asset/liability management strategies to support the core earnings stream of a diverse portfolio of consumer assets. Directed and executed \$450 million of mortgage securitizations to restructure the portfolio and meet corporate earnings and return objectives. Reported to the Regional Business Manager and managed a group with a headcount of 16 and an operating budget of \$2 million.

Vice President, Citicorp Homeowners, Inc. – July 1986 through March 1987

Department Head of the Financial Control, Planning and Analysis Group within the Citicorp Consumer Mortgage Bank (CMB). Reported to the President of the mortgage bank with responsibility for managing a group of 28 financial analysts and structured product specialists. Direct responsibilities included rigorous financial analysis, budgeting and forecasting, accounting support, and strategic planning for the nation's largest mortgage operation.

Manager, Asset Pricing and Planning – May 1985 through June 1986

Unit head of a small, highly analytic group within the Treasury Department of Citicorp Homeowner's Inc. Reported to the Department Head of Asset/Liability Management. Direct responsibilities included development of funding strategies to support the liquidity requirements and interest rate risks of an \$11 billion balance sheet. Funding strategies achieved pre-tax interest expense savings of \$40 million in 1985. Also responsible for managing the pricing function for first mortgage portfolio products and the development of analytic models for the asset/liability management process.

1984 – 1985 Amedco, Inc.

Vice President, Finance – March 1984 through April 1985

Chief Financial Officer for Amedco Development and Management, Inc., a wholly-owned subsidiary of Amedco, Inc. Directly responsible for securing financing for large (\$20-\$30 million) health care-related projects. Typically, these projects were financed through tax-exempt public debt instruments requiring extensive interface with the external financial community, including securities underwriters, commercial banks, and legal counsel. Responsibilities also included management of a staff which performed feasibility and capital budgeting analysis of proposed projects.

1979 – 1984 Monsanto Company

Area Finance Manager, Canada/Latin America – August 1981 through March 1984

Responsible for the development and implementation of long-range financial plans, and the formation of treasury policies, for nine wholly-owned subsidiaries with sales in excess of \$500 million. Successfully placed long and short-term public debt and commercial loan transactions in excess of \$250 million as a major element of several financial restructurings which were necessitated by severe foreign currency exchange rate movements in the early 1980's. Developed several innovative off-balance sheet transactions which significantly enhanced Monsanto's 1982 and 1983 reported earnings, including a \$100 million arbitrage transaction with the Royal Bank of Canada which netted Monsanto a \$1.5 million gain. Also developed

complex currency remittance mechanisms, including one such transaction in conjunction with Helena Rubenstein, Inc. and Salomon Brothers which was highlighted in a 1984 Wall Street Journal article dealing with blocked currencies.

Internal Auditor – June 1979 through August 1981

Performed financial and operational audit reviews of major plant sites and corporate staff functions. Acquired significant accounting and control experience during audit reviews of both domestic and international locations.

Education:

MBA – St. Louis University (Magna cum Laude), 1979

BS, Business Administration – University of Missouri (Cum Laude), 1976

12 credits completed toward PhD at St. Louis University

Professional Accomplishments:

Selected by American Banker for the 1992 listing of 40 Top Bankers under 40 years of age.

1993 Corporate Hispanic Advocate of the Year Award by the United States Hispanic Chamber of Commerce

1994 United States Small Business Administration Region VII Minority Small Business Advocate of the Year

Chairman – 1994 Salt Lake Valley United Way Campaign

Former Director, Utah Bankers Association

## Exhibit 2

I have not provided hearing or trial testimony in any cases in which I have been retained as an expert witness during the immediately preceding four year period. All expert witness assignments during this period have settled out of court.

## Exhibit 3

Documents provided in support of this report.

**Peter Davis, Receiver of DenSco v. US Bank, et al.**  
**Case No. CV2019-011499**  
**Documents Provided Jeffrey Gaia**

DATE	BATES RANGE	DESCRIPTION
4.07.2021		• Third Amended Complaint
4.08.2021		• Clark Hill Rodriguez Expert Report
4.08.2021		• David Weekly Report with accounting
4.09.2021	[DIC0011918-16612] [DIC0016613-25330] [DIC0056822-56992] [DIC0070841-70949] [DIC0053951-56082] [DIC0073981-81283]	• Chase Bank, US Bank and Bank of America documents from Boxes 73, 75-77, 137, 145, 149-150
4.16.2021	[CH_BOA_SDT_000005] (R-000040)	• Spreadsheet
4.16.2021	[CH_BOA_SDT_000001-31] (R-000036-41)	• Docs related to shutdown of Chittick/Densco accounts
4.16.2021	[JPMC001188] (R-000048)	• Unusual Activity Reports
4.30.2021		• Spreadsheet and Share file link from Sara Beretta with supporting documentation at the link
5.17.2021		• Combined Summary Spreadsheet for US Bank Properties with supporting documents for each property
5.18.2021	[R-003598]	• Deferred Prosecution Agreement
5.20.2021	[R-003642-3664]	• FinCEN U.S. Bank Assessment FinCEN Penalizes Compliance Officer



6.15.2021	[USB_DENSCO000055-1083]	• US Bank's 2 <sup>nd</sup> SDS
6.16.2021	[R-003665-012354]	• Receiver's 6th SDS
6.28.2021	[JMPC_0000001-1240]	• Chase's production (1st SDS)
7.19.2021	[DIC0021560-DIC0021776]	• Chase bank statements and attachments from Box 76
7.20.2021	[USB_DENSCO001084-001152]	• US Bank Production
7.21.2021	[JPMC_0001241-1349]	• Chase's Production (2nd SDS)
7.30.2021	[Declaration at R-000049]	• Menaged Declaration Ken Frakes Interview of Scott Menaged
<b>DATE</b>	<b>BATES RANGE</b>	<b>DESCRIPTION</b>
8.2.2021	[DIC0021549-DIC0021559]	• August 30, 2014 - September 30, 2014 Chase Bank Statement acct 8371
		• US Bank Deposition Exhibit Binders
10.21.2021	USB_DENSCO001173-1301	• US Bank's Second Supplemental Responses to Plaintiff's Second RFP
10.25.2021		• Provided updated share file link with all documents to Gaia

- [www.bankinfosecurity.com/chase](http://www.bankinfosecurity.com/chase)
- <https://www.kroll.com>
- 12 CFR § 21.11 Suspicious Activity Report. (c)(4)(iii)
- 31 C.F.R. 103.121(b)(2)(i)
- FFIEC Examination Manual "Customer Due Diligence—Overview"
- CV2016-014142 filed in Maricopa County Superior Court

# **Attachment 2**

**Filed Under Seal**

# **Exhibit C**

**Filed Under Seal**

# **Exhibit D**

*Peter S. Davis, as Receiver of DenSco Investment Corporation, an  
Arizona corporation v. US Bank, N.A., et al.;*

CV2019-011499

EXPERT REPORT<sup>1</sup>  
OF  
KEITH L. HENDRICKS, JD

May 19, 2022

 M o y e s S e l l e r s & H e n d r i c k s

Keith L. Hendricks  
1850 N. Central Avenue, Suite 1100  
Phoenix, Arizona 85004-4541  
Office (602) 604-2120  
**khendricks@law-msh.com**

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<sup>1</sup> Portions of this Report cite to and/or rely on information designated pursuant to the Stipulated Protective Order Dated June 8, 2021 as “Highly Confidential” including pages 1, 4-6, 9-11 (the “Highly Confidential Pages”). As such, this Report and/or the Highly Confidential Pages are hereby designated as “Highly Confidential”.

## **LIST OF APPENDICES**

Appendix A.....	Keith L. Hendricks' Resume
Appendix B.....	Retention Agreement
Appendix C.....	Schedule of Documents Considered
Appendix D.....	Hiraide's March 8, 2018 Preliminary Opinion
Appendix E.....	Wertlieb March 26, 2019 Initial Report
Appendix F.....	Wertlieb June 4, 2019 Rebuttal Report
Appendix G.....	Receiver's Settlement Agreement with Clark Hill and Beauchamp dated March 12, 2020

## **I. QUALIFICATIONS AND BACKGROUND**

I am Keith L. Hendricks. I am a Shareholder/Officer with the law firm Moyes, Sellers & Hendricks, Ltd. My office address is 1850 North Central Avenue, Suite 1100, Phoenix, Arizona 85004. My full resume is attached in Appendix A and incorporated herein. Briefly, I have been a practicing attorney for almost 34 years. I have been certified by the State Bar of Arizona as a Certified Real Estate Specialist since 1996. I served for over twelve years on the State Bar Ethics Committee and was the Vice Chair of that committee. I am a current member of the State Bar Ethics Advisory Group. I am a former Judge *Pro Tem* of the Maricopa County Superior Court.

I graduated in 1989 with a Juris Doctorate from the J. Reuben Clark Law School at Brigham Young University, *cum laude* and Order of the Coif. I am admitted to the Arizona State Bar, the U.S. District Court for the District of Arizona, the Ninth Circuit Court of Appeals, and the United States Supreme Court. I practiced for 22 years at Fennemore Craig, PC where I was a Member (partner) for over 15 years. I am currently a named-partner and chair of the litigation section of Moyes, Sellers & Hendricks, Ltd., where I have practiced for 12 years. I am also the Ethics Partner for the firm. I have been recognized by Best Lawyers in America®, Southwest Super Lawyers® and several other legal rating services. I am rated as “AV Preeminent” by Martindale Hubbell, its highest ranking.

My practice focusses primarily on issues arising out of commercial real estate disputes, commercial litigation matters, and ethics advice. This includes financing for real estate projects and often includes securities issues. I have not served regularly as an expert in litigated cases, but I have been retained on occasion to provide expert opinions on issues primarily related to real estate (including financing issues) and ethics. To date, in each case where I agreed to serve as an expert, the case settled before I was deposed or called upon to testify at trial. I have, however, been deposed and testified as a fact witness in several trials in various litigation matters arising out of the Mortgages Ltd.

bankruptcy. Those cases involved a hard money lender that raised almost \$1 billion from investors who received private offering memoranda. Mortgages Ltd. used the money raised from investors for the purpose of providing loans to real estate developers. The loans were to be secured by first position deeds of trust. I was the lead litigation counsel for the Investors Committee appointed by the Mortgages Ltd. bankruptcy court, and I still am the lead litigation counsel for the investor created board, ML Manager, tasked with recovering and liquidating the debtor's assets. I have represented several other clients in disputes and litigation arising out of business models that relied upon soliciting capital from investors for real estate development or business formation activities where the amount in controversy was tens of millions of dollars and some with claims of hundreds of millions.

## **II. SCOPE OF SERVICES**

The scope of this engagement was briefly summarized in the retention agreement dated April 18, 2022. *See* Appendix B. My rate for this engagement is \$425 per hour.

This matter is one of several cases that have arisen out of the Arizona Corporation Commission (the "ACC") lawsuit against DenSco Investment Corporation ("DenSco") seeking the appointment of a receivership.<sup>2</sup> DenSco was a hard money lender that raised money from investors who were provided private offering memoranda and loaned the money to individuals and entities that were acquiring foreclosed properties for purposes of refurbishing and flipping the properties.<sup>3</sup> After DenSco's founder, owner and manager, Denny Chittick ("Chittick") committed suicide on July 28, 2016,<sup>4</sup> the ACC sought and obtained the appointment of Peter S. Davis to act as the court appointed

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<sup>2</sup> *See, e.g.,* Davis Deposition Transcript, at p. 31. *See also* *Arizona Corporation Commission v. DenSco Investment Corp.*, CV2016-014142 (the "ACC Action") Verified Complaint, dated September 17, 2016 (the "ACC Complaint").

<sup>3</sup> *See id.*, at p. 58. *See also* ACC Complaint, at ¶¶ 6-10.

<sup>4</sup> *See* Initial Report, at p. 26.



receiver for DenSco (the “Receiver”).<sup>5</sup> Upon his appointment, the Receiver filed his initial report and recommendation with the Court which recommended an investigation into DenSco’s claims.<sup>6</sup>

After his investigation, in 2017 the Receiver filed an action against DenSco’s former legal counsel, David G. Beauchamp’s (“Beauchamp”) and Clark Hill PLC (“Clark Hill”) asserting claims for malpractice and aiding and abetting of a breach of fiduciary duty (the “Beauchamp Action”).<sup>7</sup> The Receiver retained two experts to provide opinions that Beauchamp and Clark Hill violated the applicable standard of care and caused or materially contributed to DenSco’s damages.<sup>8</sup> That litigation was settled and resolved when Beauchamp, Clark Hill and/or their insurers agreed to pay \$15.3 million for a release of all claims.<sup>9</sup> In 2019, the Receiver filed this action against, among others, U.S. Bank National Association and JPMorgan Chase Bank (collectively, the “Clients”).<sup>10</sup> The Clients have both filed a nonparty at fault designation for the conduct of Beauchamp and Clark Hill (collectively, the “NonParty Designation”).<sup>11</sup>

Pursuant to Rule 26.1(d) Arizona Rules of Civil Procedure, and Rule 702 *et. seq.*, I was asked on behalf of the Clients to review the information provided, conduct any research I deemed appropriate and, for purposes of the Clients’ NonParty Designation,

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<sup>5</sup> See ACC Action, Petition 3 at ¶ 1.

<sup>6</sup> Receiver’s Preliminary Report dated September 19, 2016 (“Receiver’s Preliminary Report”) attached as Exhibit A to Petition No. 3 in the ACC Action (“Petition 3”), at p. 11.

<sup>7</sup> See Davis v. Clark Hill, CV2017-01382, Complaint dated October 16, 2017 (“Clark Hill Complaint”).

<sup>8</sup> See Appendices D, E & F.

<sup>9</sup> See Appendix G

<sup>10</sup> See Davis v. US Bank, N.A., *et al.* CV2019-011499, Third Amended Complaint.

<sup>11</sup> See Notice of Nonparty at Fault, filed by US Bank National Association, dated March 1, 2021 and Notice of Nonparty at Fault, filed by JP Morgan Chase Bank dated April 30, 2021 (collectively, the “NonParty Designation”).

provide opinions, conclusions, explanations or otherwise testify based on my knowledge, skill, experience, training and education (collectively my “Opinion”) to help a jury understand the context, application and operation of the standard of care, including ethical obligations (the “Standard of Care”), related to the legal representation of DenSco, causation for damages, and whether Beauchamp and Clark Hill exercised the degree of skill, care and knowledge commonly exercised by a member of the legal profession in similar circumstances.

Specifically, I considered (i) the Receiver’s Preliminary Standard of Care Declaration (“Preliminary Opinion”) (attached as Appendix D) from the Receiver’s expert Mark T. Hiraide (“Hiraide”) and the Initial Report (attached as Appendix E) and Rebuttal Report (attached as Appendix F) from the Receiver’s expert Neil J. Wertlieb (“Wertlieb”) (the Initial Report and Rebuttal Reports are collectively, “Wertlieb’s Reports”) (Wertlieb’s Reports and the Preliminary Opinion are collectively, the “Receiver’s Experts’ Opinions”), (ii) other previously disclosed expert reports or opinions on the legal standard of care, (collectively, the “Clark Hill Opinions”),<sup>12</sup> (iii) relevant pleadings from this matter and other related litigation (iv) relevant depositions transcripts (the “Depositions”) and deposition exhibits (“DEX”) (v) the documents

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<sup>12</sup> As a general observation, while I reviewed and considered the Clark Hill Opinions, I did not find them to be credible or sufficiently reliable for purposes of my Opinion. First, they are not admissions by the Receiver or an authorized agent of the Receiver and there is no indication that the Clark Hill Opinions were relied upon by the Receiver. Second, the Clark Hill Opinions inappropriately attempt to dissect, compartmentalize, and isolate the legal representation at issue into small segments and then justify the individual acts without applying the broader obligations. Third, the Clark Hill Opinions improperly conflate the interests of DenSco and Chittick, which were not symmetrical and ended up in substantial conflict. Finally, the Clark Hill Opinions are inconsistent with the \$15.3 million settlement that was paid by Beauchamp, Clark Hill and/or their insurers, whereas Receiver’s Expert’s Reports are consistent with such a significant settlement.

referenced in Receiver's Experts' Reports, (vi) the Settlement Agreement between the Receiver and Clark Hill and Beauchamp defendants dated March 12, 2020 (the "Settlement Agreement") and (vii) any other documents I deemed relevant. *See* Schedule of Documents Considered attached as Appendix C. I was then asked to provide my Opinion on Beauchamp's conformance with the applicable Standard of Care and causation issues for purposes of allocation of fault in connection with the Clients' notice of nonparty at fault. I was not asked to consider or opine on the standard of care for other defendants, or the fault from any other defendant or nonparty other than Beauchamp/Clark Hill or reach any opinions as to the appropriate allocation of fault between various parties for any losses sustained by DenSco. Based on my knowledge, skill, experience, training, and education, I have applied the principles and methods associated with applicable Ethical Obligations to the facts of this case and reached my Opinion.

### **III. SUMMARY OF MY OPINION**

I agree with, adopt, and incorporate by reference the Preliminary Opinion from Receiver's expert Hiraide<sup>13</sup> attached as Appendix D. As further described in section IV(b)(2) below and in the Preliminary Opinion, Receiver's expert Hiraide opined that Beauchamp and Clark Hill owed DenSco a duty of care,<sup>14</sup> but failed to meet the applicable standard of care<sup>15</sup> causing damages to DenSco.<sup>16</sup> Receiver's expert Hiraide practiced as a corporate and securities lawyer with, at the time of the Preliminary Opinion, 26 years of experience in private practice and 8 years working for the SEC.<sup>17</sup>

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<sup>13</sup> The Receiver's expert, Hiraide's Preliminary Opinion, is summarized in section IV(b)(2) below.

<sup>14</sup> Preliminary Opinion, at ¶¶ 5-6.

<sup>15</sup> *Id.*, at ¶ 7.

<sup>16</sup> *Id.*, at ¶ 8.

<sup>17</sup> *Id.*, at ¶ 3(a).

Hiraide's credentials, as set out in the Preliminary Opinion, at ¶ 3, are substantial. The fact that the Receiver sought out, retained, and relied on Hiraide's opinions, and the scope and breadth of Hiraide's analysis gives his work, in my opinion, substantial credibility. It is my experience and Opinion that an expert opining on standard of care issues related to securities matters, such as myself, would rely on the types of facts or data set forth by Hiraide and the opinions expressed by Hiraide, especially where Hiraide was acting as the opposing party's expert and his opinions constitute well-founded admissions.

Additionally, I agree with, adopt, and incorporate by reference the opinions and conclusions reached by Receiver's expert Wertlieb in his Expert Report dated March 26, 2019 (the "Initial Report"), attached as Appendix E, and his rebuttal report dated June 4, 2019 (the "Rebuttal Report") attached as Appendix F (collectively, "Wertlieb's Reports"). As further described in section IV(C) below and in the Wertlieb Reports, Wertlieb opined that Beauchamp and Clark Hill violated the applicable standard of care in their representation of DenSco by, among other things, failing to recognize DenSco as a high risk client in a highly regulated business, failing to conduct due diligence on Yomtov Scott Menaged ("Menaged") or DenSco's funding procedure, failing to protect DenSco from Menaged, failed to timely update the 2011 Private Offering Memorandum ("POM"), had significant conflicts of interest, and failing to properly withdraw from representation of DenSco.<sup>18</sup> At the time of the Wertlieb Reports, Wertlieb had 34 years of experience practicing law, much of it at large international law firms.<sup>19</sup> In private practice, he worked on securities offerings that raised over \$20 billion in proceeds, he was general counsel for various business entities, including the Los Angeles Kings Hockey Team, an adjunct professor for transactional skills course at UCLA, engaged by

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<sup>18</sup> Wertlieb Initial Report at p. 6. 43-67.

<sup>19</sup> *Id.* at pp. 4-5.

DATED this 19 day of May 2022.



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Keith L. Hendricks

# **Exhibit E**

**Filed Under Seal**

# **Exhibit F**

**Filed Under Seal**

# **Exhibit G**

**Filed Under Seal**



# **Exhibit H**

**Filed Under Seal**

# **Exhibit I**

**Filed Under Seal**

# **Exhibit J**

**Filed Under Seal**

# **Exhibit K**

**Filed Under Seal**

# **Exhibit L**

Colin F. Campbell, 004955  
Geoffrey M. T. Sturr, 014063  
Joshua M. Whitaker, 032724  
Osborn Maledon, P.A.  
2929 North Central Avenue, 21st Floor  
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[jwhitaker@omlaw.com](mailto:jwhitaker@omlaw.com)

Attorneys for Plaintiff

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,

v.

Clark Hill PLC, a Michigan limited  
liability company; David G. Beauchamp  
and Jane Doe Beauchamp, husband and  
wife,

Defendants.

No. CV2017-013832

**STATEMENT OF FACTS IN  
SUPPORT OF MOTION FOR  
DETERMINATION THAT  
PLAINTIFF HAS MADE A PRIMA  
FACIE CASE FOR PUNITIVE  
DAMAGES FOR AIDING AND  
ABETTING BREACH OF  
FIDUCIARY DUTY**

(Assigned to the Honorable  
Daniel Martin)

Plaintiff files the following Statement of Facts in support of its motion for  
determination that Plaintiff has made a prima facie case for punitive damages.

**A. Background Facts for the Period April 2001 to September 2011**

**1. DenSco's Formation and Operations Through 2003**

1. DenSco was established in April 2001 as an Arizona corporation. (See  
pg. 1 Arizona Corporation Commission v. DenSco Investment Corporation (Case No.  
CV 2016-014142), Beauchamp Dep. Exhibit 292 attached as **SOF Ex. 1**).

2. Denny Chittick formed DenSco to make short-term loans to companies  
buying or investing in real estate. DenSco used money raised from investors to make  
those loans. (See pg. 40, 2011 POM, Beauchamp Dep. Exhibit 432 attached as **SOF**

1 **Ex. 2;** printout of the “Company Management” page from DenSco website dated  
2 June 17, 2013, Beauchamp Dep. Exhibit 115 attached as **SOF Ex. 3).**

3 3. Denny Chittick was the sole shareholder, director, officer and employee  
4 of DenSco. (See pages 40-41, 2011 POM, Beauchamp Dep. Exhibit 432 attached as  
5 **SOF Ex. 2).**

6 4. From April 2001, through June 2011 [DenSco] engaged in 2622 loan  
7 transactions.” (See pg. 1, 2011 POM, Beauchamp Dep. Exhibit 432, attached as **SOF**  
8 **Ex. 2).**

9 5. DenSco made “high-interest loans with defined loan-to-value ratios to  
10 residential property remodelers ... who purchase[d] houses through ... foreclosure sales  
11 all of which [were] secured by real estate deeds of trust (‘Trust Deeds’) recorded against  
12 Arizona residential properties. (See pg. 1, DenSco’s Confidential Private Offering  
13 Memorandum dated July 1, 2011 (the “2011 POM”), Beauchamp Dep. Exhibit 432  
14 attached as **SOF Ex. 2).**

15 6. Mr. Chittick raised money from investors by issuing general obligation  
16 notes (the “Notes”) at variable interest rates. The Notes were “secured by a general  
17 pledge of all assets owned by or later acquired by” DenSco. (See pg. (i), 2011 POM,  
18 Beauchamp Dep. Exhibit 432, attached as **SOF Ex. 2).**

19 7. DenSco’s largest assets were the Trust Deeds, which were intended to be  
20 secured through first position trust deeds. (See pg. (i), 2011 POM, Beauchamp Dep.  
21 Exhibit 432, attached as **SOF Ex. 2).**

## 22 **2. Beauchamp Was DenSco’s Securities Lawyer**

### 23 **a. DenSco First Hired Beauchamp in 2003 to Advise the** 24 **Company on Securities Law Issues.**

25 8. David Beauchamp is an attorney. He describes himself as practicing  
26 primarily in the areas of corporate law, securities, venture capital and private equity  
27 transactions. (See Beauchamp bio, Schenck Dep. Exhibit 3, attached as **SOF Ex. 4).**

1           9.     Mr. Beauchamp started providing securities advice to DenSco in the early  
2 2000s, while he was a partner at the law firm Gammage & Burnham. (*See* Schenck  
3 Dep. Exhibit 4 at pg. 3, ln. 2-4, attached as **SOF Ex. 5**).

4           10.    DenSco followed Mr. Beauchamp as a client when he left 5 Gammage to  
5 join the law firm Bryan Cave in March 2008, and again when Mr. Beauchamp 6 left  
6 Bryan Cave to join Clark Hill in September 2013. (*See* Schenck Dep. Exhibit 4, pg. 3,  
7 ln. 4-6, attached as **SOF Ex. 5**).

8           11.    Beauchamp has stated in his Rule 26.1 Statement that his work for  
9 DenSco included drafting private offering memoranda for distribution to investors of  
10 DenSco in compliance with law, and advising on securities reporting requirement. *See*  
11 Beauchamp Dep. Exhibit 4, page 3-4, attached as **SOF Ex. 5**)

12                               **b.     Beauchamp Prepared Private Offering Memoranda**  
13                               **that DenSco Issued to Investors in 2003, 2005, 2007,**  
                                  **2009, and 2011 to Sell Promissory Notes.**

14           12.    Mr. Beauchamp advised DenSco regarding Private Offering Memoranda  
15 (“POMs”), which DenSco generally updated every two years. (*See* Schenck Dep.  
16 Exhibit 4, at pg. 5, ln. 2-3, attached as **SOF Ex. 5**).

17           13.    DenSco issued private offering memoranda in 2003, 2005, 2009, and  
18 2011, which DenSco used to sell promissory notes to investors (*See* Schenck Dep.  
19 Exhibit 4 at pg. 5, ln. 2-3, attached as **SOF Ex. 5**).

20           14.    Mr. Beauchamp testified that it was his practice to revise the POM every  
21 two years based on a suggestion “made by a former SEC official, that given the nature  
22 of this industry, two years would be an appropriate time. However, if something  
23 material happened before then, you need to tell your client this has to be disclosed.”).  
24 (*See* Beauchamp Dep. Transcript pp. 256:22-257:3, attached as **SOF Ex. 6**).

25           15.    The process of preparing POMs in 2007, 2009 and 2011 took between  
26 one and three months.  
27  
28



1           a.       Beauchamp began working on a POM in early May 2007, after a  
2 May 3, 2007 meeting with Chittick, and completed his work in approximately  
3 thirty days. (*See* Beauchamp handwritten notes dated May 3, 2007, attached as  
4 **SOF Ex. 7**; Beauchamp handwritten notes dated June 1, 2007, attached as **SOF**  
5 **Ex. 8**; Beauchamp Dep. Exhibit No. 430, attached as **SOF Ex. 15**).

6           b.       Beauchamp began working on a POM in April 2009, after an  
7 April 9, 2009 meeting with Chittick, and completed his work in approximately  
8 ninety days. (*See* Beauchamp handwritten notes dated April 9, 2009, attached as  
9 **SOF Ex. 9**; Beauchamp handwritten notes dated April 17, 2009, attached as  
10 **SOF Ex. 10**; Beauchamp handwritten notes, attached as **SOF Ex. 11**; E-mail  
11 exchange between D. Beauchamp and D. Chittick re POM, dated July 6, 2009  
12 attached as **SOF Ex. 12**; Beauchamp Dep. Exhibit No. 431, attached as **SOF Ex.**  
13 **14**).

14           c.       Beauchamp began working on a POM in April 2011, after an  
15 April 13, 2011 meeting with Chittick, and completed his work in approximately  
16 ninety days. (*See* Beauchamp handwritten notes, dated April 13, 2011 attached  
17 as **SOF Ex. 13**; Beauchamp Dep. Exhibit No. 432, attached as **SOF Ex. 2**; E-  
18 mail exchange between D. Beauchamp, M. Parsons, D. Chittick, dated July 18,  
19 2011 attached as **SOF Ex. 16**).

20                   **c.       The Terms of the POMs Beauchamp Prepared**

21                           **(1)       DenSco Sold Promissory Notes**

22           16.       In the POMs it issued in 2007, 2009 and 2011, DenSco offered to sell  
23 investors promissory notes of \$50,000 or more with the following durations and interest  
24 rates: six months at 8%; one year at 10%; and two to five years at 12%. The notes  
25 were “paid ‘interest only’ during the terms, with principal payable only at maturity.”  
26 Investors had the ability to “have interest paid monthly, quarterly, or at maturity.” (*See*  
27 Beauchamp Dep. Exhibit 432, pp. 2, 17, 45-46, attached as **SOF Ex. 2**).

17. Each POM stated that “[a]lthough the Company intends to use its good faith efforts to accommodate written requests from an investor to prepay any Note prior to maturity and the Company has in fact been able to satisfy such requests in a timely manner with interest paid in full, the Company has no obligation to do so and the investor has no right to require the Company to redeem the Note prior to maturity.” (See Beauchamp Dep. Exhibit 432 at pg. 47, attached as **SOF Ex. 2**).

18. By completing and signing a Subscription Agreement, investors specified the amount of the promissory note they wished to purchase, the term of the note, and how they wished to be paid interest. (*See* Subscription Agreement, Bunger Exhibit No. 621 attached as **SOF Ex. 17**).

19. Beauchamp knew that the vast majority of DenSco's investors purchased two-year promissory notes. For example, Beauchamp's notes reflect that Chittick told him during a May 3, 2007 meeting that 90% of the promissory notes DenSco had issued to investors were two-year notes. (*See* June 15, 2007 e-mail to Richard Carney, attached as **SOF Ex. 18**).

20. Beauchamp also knew that the vast majority of DenSco’s investors did not redeem their promissory notes when those notes matured, and instead “rolled over” their investments by executing a subscription agreement and buying a new promissory note when a previous promissory note matured. As Beauchamp wrote in a June 15, 2007 e-mail to Richard Carney, who was then doing “Blue Sky” work for DenSco, “DenSco has regular sales of roll-over investments” and an “ongoing roll-over of the existing investors every 6 months or so.” (*See* June 15, 2007 e-mail to Richard Carney, attached as **SOF Ex. 18**).

**(2) The Promissory Notes Were Represented to Be Safe, Secure Investments**

21. In the POMs it issued in 2007, 2009 and 2011, DenSco made a number of representations about its business practices that were intended to give existing and potential investors the impression that the promissory notes sold by DenSco were safe,

1 secure investments. (*See* Beauchamp Dep. Exhibit 430, at pp. 36-37, attached as **SOF**  
2 **Ex. 15**, Beauchamp Dep. exhibits 431 at pp. 34-37 attached as **SOF Ex. 14** and  
3 Beauchamp Dep. exhibit 432 at pp. 36-39 attached as **SOF Ex. 2**).

4 22. For example, the POM that DenSco issued in 2011 stated that:

5 a. DenSco had sold promissory notes worth \$25.9 million to  
6 new and existing investors since 2001, and “ha[d] never defaulted on either  
7 interest or principal” on any of those notes. (*See* Beauchamp Dep. Exhibit 432  
8 at pg. 36, attached as **SOF Ex. 2**).

9 b. “All real estate loans funded by [DenSco] have been and  
10 are intended to be secured through first position trust deeds.” (*See* Beauchamp  
11 Dep. Exhibit 432 at pg. 36, attached as **SOF Ex. 2**).

12 c. DenSco would “attempt to maintain a diverse [loan]  
13 portfolio . . . by seeking a large borrowing base” and by “attempting to ensure  
14 that one borrower will not comprise more than 10 to 15 percent of the total  
15 portfolio.” (*See* Beauchamp Dep. Exhibit 432 at pp. 10 and 37, attached as **SOF**  
16 **Ex. 2**).

17 d. DenSco “intend[ed] to maintain general loan-to-value  
18 guidelines that currently range from 50 percent to 65 percent, (but it is not  
19 intended to exceed 70%), to help protect the Company’s portfolio of loans.” (*See*  
20 Beauchamp Dep. Exhibit 432 at pg. 10, attached as **SOF Ex. 2**).

21 e. “Because of these varying degrees of diversification, the  
22 relatively short duration of each of the loans, and management’s knowledge of  
23 the Phoenix metropolitan market, [DenSco’s] management anticipates that it  
24 will not experience a significant amount of losses.” (*See* Beauchamp Dep.  
25 Exhibit 432 at pg. 10 attached as **SOF Ex. 2**, see also Fenix Financial expert  
26 report at pp. 2-10, attached to Motion for Determination of Prima Facie Case as  
27 an Exhibit B).

1 f. DenSco's "objective is to have sufficient cash coming in  
2 from Trust Deed payoffs to be able to redeem all Notes as they come due and  
3 maintain reserves without any need to sell assets or issue new Notes to repay the  
4 earlier maturing Notes." (See Beauchamp Dep. Exhibit 432 at pg. 6, attached as  
5 **SOF Ex. 2**).

6 23. The POMs DenSco issued to existing and potential investors in 2007,  
7 2009 and 2011 each included a "Prior Performance" section which summarized the  
8 dollar value of promissory notes sold in preceding years, the number of loans made in  
9 each year, the value of those loans, the value of the property securing those loans, and  
10 losses incurred in each of those years. (See Beauchamp Dep. exhibits 430 at pp. 32-35  
11 attached as **SOF Ex. 15**; Beauchamp Dep. exhibits 431 at pp. 34-37 attached as **SOF**  
12 **Ex. 14** and Beauchamp Dep. exhibit 432 at pp. 36-39 attached as **SOF Ex. 2**).

13 24. The Prior Performance section in each POM concluded with a statement  
14 that was intended to give existing and potential investors the impression that the  
15 promissory notes sold by DenSco were safe, secure investments: "Each and every  
16 Noteholder has been paid the interest and principle due to that Noteholder in accordance  
17 with the respective terms of the Noteholder's Notes. Despite any losses incurred by the  
18 Company from its borrowers, no Noteholder has sustained any diminished return or  
19 loss on their investment in a Note from [DenSco]." (See Beauchamp Dep. Exhibit 430,  
20 attached as **SOF Ex. 15**; Beauchamp Dep. exhibits 431 at pg. 37 attached as **SOF Ex.**  
21 **14** and Beauchamp Dep. exhibits 432 at pg. 39 attached as **SOF Ex. 2**).

22 (3) **The 2007, 2009 and 2011 POMs Were Each in**  
23 **Effect for Two Years, But Were Never Updated**  
24 **by DenSco, And Beauchamp Did Not Advise**  
**DenSco To Do So.**

25 25. Each POM that DenSco issued to existing and potential investors in 2007,  
26 2009 and 2011 stated that DenSco "intends to offer [promissory notes for sale] on a  
27 continuous basis until the earlier of (a) the sale of the maximum offering," which was  
28 \$50 million, "or (b) two years from the date of this memorandum." They went on to

1 state that DenSco “reserves the right to amend, modify and/or terminate this offering.”  
2 (See Beauchamp Dep. Exhibit 432, at pg. 2, attached as **SOF Ex. 2**).

3 26. DenSco’s records do not reflect that it ever told existing and potential  
4 investors that “the maximum offering proceeds” offered through the 2007, 2009 and  
5 2011 POMs had been raised, or that it had terminated any of those offerings.

6 27. The files that Beauchamp maintained, and the billing statements issued  
7 to DenSco by his respective law firms, do not reflect that Beauchamp ever advised  
8 DenSco to “[k]eep[] the information in the [POMs DenSco issued in 2007, 2009 and  
9 2011] current” by issuing updates to those POMs during the two-year period each of  
10 those POMs was in effect. (See Schenck Dep. Exhibit 6, attached as **SOF Ex. 20**;  
11 Schenck Dep. Exhibit 7, attached as **SOF Ex. 21**; Schenck Dep. Exhibit 9, attached as  
12 **SOF Ex. 22**; Schenck Dep. Exhibit 10, attached as **SOF Ex. 23**; Schenck Dep. Exhibit  
13 11, attached as **SOF Ex. 24**; Schenck Dep. Exhibit 12, attached as **SOF Ex. 25**; Schenck  
14 Dep. Exhibit 13, attached as **SOF Ex. 26**; Schenck Dep. Exhibit 14, attached as **SOF**  
15 **Ex. 27**; Schenck Dep. Exhibit 15, attached as **SOF Ex. 28**; Schenck Dep. Exhibit 16,  
16 attached as **SOF Ex. 29**; Schenck Dep. Exhibit 17, attached as **SOF Ex. 30**; Schenck  
17 Dep. Exhibit 18, attached as **SOF Ex. 31**; Schenck Dep. Exhibit 19 attached as **SOF**  
18 **Ex. 32**; Beauchamp Dep. Exhibit 106A, attached as **SOF Ex. 33**; Beauchamp Dep.  
19 Exhibit 119, attached as **SOF Ex. 34**; Beauchamp Dep. Exhibit 132, attached as **SOF**  
20 **Ex. 35**; Beauchamp Dep. Exhibit 133, attached as **SOF Ex. 36**; Beauchamp Dep.  
21 Exhibit 139, attached as **SOF Ex. 37**; Schenck Dep. Exhibit 19, attached as **SOF Ex.**  
22 **32**).

23 28. As a result, the POM that was dated June 1, 2007 expired on June 1,  
24 2009; the POM that was dated July 1, 2009 expired on July 1, 2011; and the POM that  
25 was dated July 1, 2011 expired on July 1, 2013. (See expert report of Neil Wertlieb,  
26 attached to Motion for Determination of Prima Facie Case, pp. 59-60.).

27 29. The POMs DenSco issued to existing and potential investors in 2007,  
28 2009 and 2011 each stated that “[i]n order to continue offering the Notes during this

1 [two-year] period, [DenSco] will need to update this Memorandum from time to time.”

2 Each POM went on to state that

3 Keeping the information in the Memorandum current will cause the  
4 Company to incur additional costs. *A failure to update this Memorandum*  
5 *as required could result in the Company being subject to a claim under*  
6 *Section 10b-5 of the Security Act for employing a manipulative or*  
7 *deceptive practice in the sale of securities, subjecting [DenSco], and*  
8 *possibly the management of [DenSco], to claims from regulators and*  
9 *investors*. In addition, an investor might seek to have the sale of the Notes  
10 hereunder rescinded which would have a serious adverse effect on  
11 [DenSco’s] operations. (Emphasis added.)

12 (See Beauchamp Dep. Exhibit 432, at pg. 24, attached as **SOF Ex. 2**).

13 30. Each POM that DenSco issued in 2007, 2009 and 2011 prominently  
14 warned potential purchasers of DenSco’s promissory notes that “NO PERSON HAS  
15 BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY  
16 REPRESENTATIONS CONCERNING THE COMPANY OTHER THAN AS  
17 CONTAINED IN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM,  
18 AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR  
19 REPRESENTATIONS MUST NOT BE RELIED UPON.”

20 (See Beauchamp Dep. exhibit 432 at pg. v, attached as **SOF Ex. 2**).

21  
22 **(4) In Preparing the 2011 POM, Beauchamp Failed**  
23 **to Investigate a “Red Flag” About DenSco’s**  
24 **Lending Practices.**

25 31. The Prior Performance section of the POM DenSco issued in 2011  
26 concluded with the same positive statement about DenSco’s lending activities and the  
27 absence of losses on promissory notes that was made in earlier POMs:

28 Since inception through June 30, 2011, [DenSco] has participated in  
29 2622 loans, with an average amount of \$116,000, with the highest loan  
30 being \$800,000 and lowest being \$12,000. The aggregate amount of loans  
31 funded is \$306,786,893 with property valued totaling \$470,411,170. . .  
32 These loans have borne interest rates of 18% per annum. The interest rate  
33 paid to noteholders has ranged from 8% to 12% per annum through such  
34 date. Each and every Noteholder has been paid the interest and principle  
35 due to that Noteholder in accordance with the respective terms of the  
36 Noteholder’s Notes. Despite any losses incurred by the Company from its  
37 borrowers, no Noteholder has sustained any diminished return or loss on  
38 their investment in a Note from [DenSco].”

39 (See Beauchamp Dep. Exhibit 432 at pg. 39, attached as **SOF Ex. 2**).

32. But the information disclosed in the 2011 POM's Prior Performance section clearly raised a "red flag" about DenSco's lending activities. Among the information disclosed in that section was the following.

<i>Year</i>	<i>Notes Sold</i>	<i>Loans Made</i>	<i>Yearly Loan Amount</i>
2001	\$500,000	37	\$8,378,000
2002	\$930,000	69	\$5,685,000
2003	\$1,550,000	124	\$11,673,000
2004	\$2,450,000	185	\$19,907,000
2005	\$2,670,000	236	\$34,955,700
2006	\$2,800,000	215	\$34,468,100
2007	\$2,400,000	272	\$42,579,634
2008	\$3,000,000	304	\$38,864,660
2009	\$2,100,000	412	\$41,114,707
2010	\$2,800,000	390	\$37,973,097
2011 (to 6/30/11)	\$4,700,000	378	\$36,187,995

*See* Beauchamp Dep. Exhibit 432 at pp. 36-37, attached as **SOF Ex. 2**).

33. This information raised a red flag because Chittick was DenSco's sole employee. In addition to selling promissory notes, making interest payments, and issuing statements to investors, Chittick was the only person who was conducting due diligence and underwriting and documenting DenSco's loans. He was also responsible for collecting loan payments and ensuring compliance with loan agreements. *See* report of Neil Wertlieb attached to Motion for Determination of Prima Facie Case.

34. Since 2009, when the previous POM had been issued, Chittick made more than one loan a day: 412 in 2009; 390 in 2010; and 378 in just the first six months of 2011. (*See* Beauchamp Dep. Exhibit 432 at pp. 36-37, attached as **SOF Ex. 2**).

35. Any concerns about DenSco's lending practices would have been heightened by the increased amount of money Chittick had raised in the first half of 2011 (\$1.9 million more than the \$2.8 million that had been raised in all of 2010), and the overall amount of money DenSco had raised since 2001 through the sale of promissory notes (\$26.9 million as of June 30, 2011). (*See* Beauchamp Dep. Exhibit 432 at pp. 36-37, attached as **SOF Ex. 2**).

1           36.    Beauchamp overlooked this red flag and would later overlook other red  
2 flags.

3           **B.    Events That Occurred in the Four Months Before Beauchamp Joined**  
4           **Clark Hill in September 2013.**

5           37.    The POM that DenSco issued in July 2011 expired on July 1, 2013.  
6 DenSco did not issue a POM in July 2013, or at any time after July 2013, to replace the  
7 POM that expired on July 1, 2013.

8           38.    Between May 9 and July 1, 2013, Beauchamp took some preliminary  
9 steps to prepare a new POM but did not begin drafting a new POM. He also failed to  
10 conduct the due diligence that a reasonable securities lawyer would have undertaken.  
11 (See Beauchamp Dep. Exhibit 133, attached as **SOF Ex. 36**).

12           39.    The July 1, 2013 deadline for updating the 2011 POM was known to Mr.  
13 Beauchamp, as he was the one who prepared the 2011 POM and advised DenSco with  
14 respect to such matters. (See Beauchamp Dep. Exhibit 107, attached as SOF Ex. 40;  
15 Beauchamp Dep. Exhibit 125, attached as SOF Ex. 41 and Beauchamp Dep. Exhibit  
16 129, attached as **SOF Ex. 42**).

17           40.    On June 14, 2013, Mr. Chittick emailed Mr. Beauchamp to alert him that  
18 a lawsuit had been filed against DenSco (the “Freo Lawsuit”) and included the first four  
19 pages of the complaint. (See Beauchamp Dep. Exhibit 111, attached as **SOF Ex. 43**).

20           41.    Mr. Chittick stated that DenSco was being sued along with one of its  
21 borrowers – a borrower that DenSco “had done a ton of business with, millions in loans  
22 and hundreds of loans for several years. (See Beauchamp Dep. Exhibit 111, attached as  
23 **SOF Ex. 43**).

24           42.    The Freo Lawsuit put Mr. Beauchamp on notice that DenSco’s 2011  
25 POM may be materially misleading because, if the allegations in the complaint were  
26 correct, DenSco was not following the methodology and procedures stated in the 2011  
27 POM for funding its loans. (See Paragraph 121 of Plaintiff’s Fifth Disclosure Statement  
28



1 dated November 14, 2018, Davis Dep. Exhibit attached as **SOF Ex. 44** and Beauchamp  
2 Dep. Exhibit 111, attached as **SOF Ex. 43**).

3 43. Mr. Chittick also informed Mr. Beauchamp that Mr. Menaged's attorney  
4 was working on the defense of the Freo Lawsuit, and that Mr. Chittick intended to  
5 "piggy back" on his borrower's defense. (See Beauchamp Dep. Exhibit 112, attached  
6 as **SOF Ex. 45**).

7 44. Mr. Beauchamp took no action with respect to the Freo Lawsuit. He  
8 testified that he did not speak to the borrower's attorney, Mr. Goulder, at this time. (See  
9 Beauchamp Dep. Transcript at pg. 240:9-19, attached as **SOF Ex. 6**).

10 45. Although Mr. Beauchamp did some work on an updated POM in July and  
11 August of 2013 (after the 2011 POM had expired), he was also preoccupied with  
12 changing law firms. (See Beauchamp Dep. Exhibit 133, attached as **SOF Ex. 36**, and  
13 Beauchamp Dep. Exhibit 139, attached as **SOF Ex. 37**).

14 **1. Beauchamp Was Asked to Leave Bryan Cave in June 2013 and**  
15 **Left the Firm in August 2013.**

16 46. One apparent reason for Beauchamp's inattention to DenSco's need for a  
17 new POM was that he spent the summer months looking for a new job. See Beauchamp  
18 Dep. Transcript at pp. 46-47, attached as **SOF Ex. 6**).

19 47. Shortly after June 4, 2013, Beauchamp was informed by Bryan Cave's  
20 management committee that the firm wanted to end its relationship with Beauchamp  
21 and that he would need to find a new law firm where he could practice law. (See  
22 Beauchamp Dep. Transcript at pp. 38:25-44:14, attached as **SOF Ex. 6**).

23 48. Bryan Cave's decision understandably was not well received by  
24 Beauchamp. As he wrote in a January 15, 2014 email to his former partner Bob Miller  
25 explaining why he did not wish to attend a meeting at Bryan Cave's offices, "[m]y last  
26 few months [at Bryan Cave] were more than a little difficult and I do not want to go  
27 back to that." (See Beauchamp Dep. Exhibit 162, attached as **SOF Ex. 46**).

1           49.     Beauchamp finalized the terms of his employment by Clark Hill by mid-  
2 to late-August 2013. (Beauchamp Dep. Transcript at pp. 44:5-47:4, attached as **SOF**  
3 **Ex. 6**).

4           50.     Beauchamp's notes reflect that he spoke to Chittick on August 26, 2013  
5 and told him that "BC will be sending a letter to Denny & letting Denny decide if he  
6 wants files kept at BC or moved to CH." (See Beauchamp Dep. Exhibit 134, attached  
7 as **SOF Ex. 47**).

8           51.     On August 30, 2013, Beauchamp sent Chittick by email a letter that he  
9 and Jay Zweig, the managing partner of Bryan Cave's Phoenix office, both signed,  
10 informing DenSco that Beauchamp would be leaving Bryan Cave effective August 31,  
11 2013, and that Beauchamp would be joining Clark Hill. (See Beauchamp Dep. Exhibit  
12 135, attached as **SOF Ex. 48**).

13                   **2.     During the Month of May 2013, Beauchamp Performed**  
14                   **Minimal Work to Prepare a New POM.**

15           52.     The files that Beauchamp maintained at Bryan Cave and Bryan Cave's  
16 billing statements reflect that Chittick had to prompt Beauchamp to start working on a  
17 new POM in 2013. (See Beauchamp Dep. Exhibit 133, attached as **SOF Ex. 36** and  
18 139, attached as **SOF Ex. 37**).

19                 a.     On March 17, 2013, Chittick sent Beauchamp an email proposing  
20 to meet in April to begin working on an updated private offering memorandum.  
21 (See Chittick email to Beauchamp, dated March 17, 2013 attached as **SOF Ex.**  
22 **49**).

23                 b.     On May 1, 2013, Chittick sent another email to Beauchamp which  
24 stated: "it's the year we have to do the update on the memorandum, when do you  
25 want to start?" (See Beauchamp Dep. Exhibit 105A, attached as **SOF Ex. 50**).

26                 c.     Beauchamp responded by email that day and scheduled a meeting  
27 for May 9, 2013. (See Beauchamp Dep. Exhibit 105A, attached as **SOF Ex. 50**).

1           53.    Beauchamp caused a new matter to be established in Bryan Cave's  
2 accounting and filing systems for the preparation of a 2013 POM which identified  
3 DenSco as Bryan Cave's client. (*See* Beauchamp Dep. Exhibit 119, attached as **SOF**  
4 **Ex. 34**).

5           54.    When the matter was opened, Bryan Cave established a "due diligence"  
6 file for a 2013 POM. (*See* Beauchamp Dep. Exhibit 136, attached as **SOF Ex. 51**).

7           55.    Before the May 9, 2013 meeting, Beauchamp prepared or caused to be  
8 prepared a draft private offering memorandum dated "May \_\_, 2013" (the "draft 2013  
9 POM"). (*See* Beauchamp Dep. Exhibit 106, attached as **SOF Ex. 52**; Beauchamp Dep.  
10 Exhibit 124, attached as **SOF Ex. 53**).

11           56.    With the exception of the title page, the draft 2013 POM was a duplicate  
12 of a preliminary draft of the 2011 POM, which Bryan Cave attorney Gus Schneider had  
13 sent to Chittick on June 15, 2011 at Beauchamp's direction, when Schneider and  
14 Beauchamp were working on the 2011 POM. (*See* Schenck Dep. Exhibit 100, attached  
15 as **SOF Ex. 54**; Beauchamp Dep. Exhibit 106, attached as **SOF Ex. 52**).

16           57.    During the May 9 meeting, Beauchamp took a few notes and apparently  
17 underlined or circled a few passages in the draft 2013 POM. (*See* Beauchamp Dep.  
18 Exhibit 107, attached as **SOF Ex. 40**).

19           58.    Beauchamp's notes reflect that Chittick told him during the meeting that  
20 DenSco had as of that date raised over \$50 million from 75 to 80 investors who  
21 collectively held 114 accounts. (*See* Beauchamp Dep. Exhibit 107, attached as **SOF**  
22 **Ex. 40**).

23           59.    Beauchamp stopped working on the draft 2013 POM after learning how  
24 much money DenSco had raised since the 2011 POM. As he would later tell Bryan  
25 Cave partner Elizabeth Sipes through a June 25, 2013 email: "We stopped the updating  
26 when we were told that the investments from the investors had jumped to approximately  
27 \$47.5 million. Given that significant increase, I have been asking for help to determine  
28

1 what other federal or state laws might be applicable.” (See Beauchamp Dep. Exhibit  
2 125, attached as **SOF Ex. 41**).

3 60. According to Bryan Cave’s billing statement, the only work Beauchamp  
4 performed during May 2013 on the draft 2013 POM was for less than thirty minutes of  
5 “[w]ork on issues and follow-up” on May 10 and less than thirty minutes of “[w]ork on  
6 issues and information for Private Offering Memorandum” on May 31, 2013. (See  
7 Beauchamp Dep. Exhibit 119, attached as **SOF Ex. 34**).

8 **3. During June 2013, Beauchamp Learned From Another Bryan**  
9 **Cave Lawyer That DenSco’s Website Violated Federal**  
10 **Securities Laws.**

11 61. Although Beauchamp learned on May 9, 2013 that DenSco had nearly  
12 \$50 million of investor loans and told his Bryan Cave colleagues that he stopped  
13 working on the draft 2013 POM when he learned of that fact so that he could investigate  
14 what federal or state laws were implicated by the substantial increase in DenSco’s sales  
15 of promissory notes, Beauchamp waited until June 10, 2013 before seeking assistance  
16 from other Bryan Cave attorneys. (Beauchamp Dep. Exhibit 107, attached as **SOF Ex.**  
17 **40**; Beauchamp Dep. Exhibit 119, attached as **SOF Ex. 34**; Beauchamp Dep. Transcript  
18 at pp. 258:13-260:14, attached as **SOF Ex. 6**).

19 a. On June 10, 2013, Beauchamp sent an email to Ken Henderson,  
20 an attorney in Bryan Cave’s New York City office, copied to William Seabaugh,  
21 an attorney in Bryan Cave’s St. Louis office. (See Beauchamp Dep. Exhibit 108,  
22 attached as **SOF Ex. 55**).

23 b. His email stated, in part: DenSco “is a client which makes high  
24 interest loans (18% with no other fees) secured by first lien position against real  
25 estate. . . . DenSco has previously had aggregate investor loans outstanding at  
26 approximately \$16 to \$18 million from its investors. We are starting the process  
27 to update and renew DenSco’s private offering memo (renew it every two years)  
28 and we have now been advised that DenSco now has almost \$47 million in

1 aggregate investor loans outstanding.” (See Beauchamp Dep. Exhibit 108,  
2 attached as **SOF Ex. 55**).

3 c. Beauchamp said he was seeking “guidance or direction” as to  
4 whether DenSco, with close to \$50 million of investor funds, was subject to  
5 certain federal securities acts and regulations. (See Beauchamp Dep. Exhibit  
6 108, attached as **SOF Ex. 55**).

7 d. Henderson suggested by email that Beauchamp confer with Robert  
8 Pedersen, an attorney in Bryan Cave’s New York City office, and Elizabeth  
9 Sipes, an attorney in Bryan Cave’s Denver office. (See Beauchamp Dep. Exhibit  
10 108 at DIC0003668, attached as **SOF Ex. 55**).

11 62. On June 11, 2013, Beauchamp sent an email to Chittick which stated:  
12 “How many investors hold notes from DenSco? We are trying to determine what  
13 exclusions DenSco could qualify for with respect to the other applicable federal  
14 statutes. I do not have that number in my notes.” (See Beauchamp Dep. Exhibit 110,  
15 attached as **SOF Ex. 56**).

16 63. Chittick responded by email that day, telling Beauchamp DenSco had 114  
17 individual accounts, held by approximately 80 families. (*Id.*)

18 64. On June 17, 2013, Beauchamp received an email from Pedersen.  
19 Pedersen noted that he had reviewed DenSco’s website, and had asked Randy Wang,  
20 an attorney in Bryan Cave’s St. Louis office, whether DenSco was in compliance with  
21 the Securities Act of 1933. Pedersen wrote: “Randy questioned whether in the DenSco  
22 Investment Corp. case, the existence of, and/or statements made on, the DenSco  
23 [website] which I had brought to his attention, made the transaction exemption  
24 unavailable to DenSco. In any event you may wish to discuss further with Randy.” (See  
25 Beauchamp Dep. Exhibit 114, attached as **SOF Ex. 57**).

26 65. Beauchamp then printed information from DenSco’s website, which  
27 included a section captioned “Investor Requirements” that purported to provide an  
28 “abbreviated description” of “legal definitions” found in the 2011 POM and related

1 subscription agreement, including a definition of accredited investor. (*See* Beauchamp  
2 Dep. Exhibit 115, attached as **SOF Ex. 3**).

3 66. Although Beauchamp had been representing DenSco since 2003, and his  
4 files reflect that he regularly reviewed DenSco's website, it was another Bryan Cave  
5 lawyer, with no prior involvement in Bryan Cave's representation, who immediately  
6 identified this significant issue. (*See* Beauchamp Dep. Exhibit 116, attached as **SOF**  
7 **Ex. 58**, *See* also Beauchamp Dep. Transcript at 276:5-277:23, attached as **SOF Ex. 6**).

8 67. Beauchamp wrote an email to Wang on June 17, 2013, which stated:  
9 "With respect to the client's statements on its website, I was not aware that the client  
10 had added his personal description of what is an eligible 'accredited investor' to the  
11 DenSco website. I will have him take it down. I also have a call into him to ask when  
12 he added that language. Previously, his website was just for potential borrowers and  
13 for existing investors. It included his view of the real estate lending market and  
14 explained the status of the properties that DenSco had commenced or might have to  
15 commence a Trustee Sale to take ownership of the security for a loan. Given his  
16 'layman's description of an accredited investor' on the website, does that constitute  
17 general solicitation, which will cause the offering to no longer qualify under Regulation  
18 D? If so, can we discuss what we need to tell him that he needs to do to resolve the loss  
19 of his exempt security status?" (*See* Beauchamp Dep. Exhibit 114, attached as **SOF Ex.**  
20 **57**).

21 68. Beauchamp's notes reflect that he spoke to Wang on June 17, 2013. (*See*  
22 Beauchamp Dep. Exhibit 116, attached as **SOF Ex. 58**).

23 69. Beauchamp's notes also reflect that he spoke to Chittick on June 17, 2013.  
24 ( *See* Beauchamp Dep. Exhibit 116, attached as **SOF Ex. 58**).

25 70. After talking to Chittick, Beauchamp sent an email to Wang on June 17,  
26 2013, which stated, in part: "I talked to Denny Chittick, the owner of DenSco. Denny  
27 has already had the website modified. Denny also reviewed the list of his investors  
28 (there are only 114 individual investors from approx 80 families). All of his investors

1 were either family or friends (or verified referrals from family or friends). . . . According  
2 to his note schedule, Denny has approximately 60 investor notes that are scheduled to  
3 expire in the next six months, so he would prefer to not be shut down and have to return  
4 all of that investment money to his investors until he could commence operations  
5 again.” (See Beauchamp Dep. Exhibit 117, attached as **SOF Ex. 59**).

6 71. Beauchamp received an email from Chittick late in the day on June 17,  
7 2013, through which Chittick forwarded his email exchange with a vendor confirming  
8 that information regarding interest rates offered for promissory notes and the entire  
9 “Investor Requirements” section had been removed from DenSco’s website. (See June  
10 17, 2013 email from Chittick, part of Beauchamp Dep. Exhibit 118, attached as **SOF**  
11 **Ex. 60**).

12 72. Beauchamp spoke to Wang on June 18, 2013. His notes reflect that Wang  
13 “does not have a clean path for the private placement” and that he and Beauchamp  
14 discussed a number of “judgment calls” which were described in Beauchamp’s notes  
15 as follows: (i) “whether website constitutes ‘General Solicitation’ – probably yes”; (ii)  
16 “would a waiver of Right of Rescission be helpful – probably not → that just resolves  
17 the individual claim + not the offering itself”; (iii) “would starting a new company be  
18 helpful – probably not – still would be integrated offering.” Beauchamp’s notes  
19 concluded by stating “Randy does not have a solution” and a list of the names of other  
20 Bryan Cave attorneys Beauchamp should contact. (See Beauchamp Dep. Exhibit 120,  
21 attached as **SOF Ex. 61**).

22 73. On June 20, 2013, Beauchamp sent an email to Bryan Cave attorneys  
23 Henderson, Wang, Robert Endicott in the firm’s St. Louis office, and Garth Jensen in  
24 the firm’s Denver office. Beauchamp’s email stated, in part:

25 DenSco “is a client which makes high interest loans (18% with no other  
26 fees) secured by first lien position against Arizona real estate. . . . As part  
27 of our due diligence for this offering, we reviewed the client’s website. On  
28 its website, the client lists several pieces of information concerning Arizona  
real estate, but the client has also added Denny Chittick’s personal  
description of who or what is an eligible ‘accredited investor.’ In addition,  
the website also referenced the interest rate paid by DenSco to its investors.

1        *After we advised the client that this could be deemed to be “general*  
2        *solicitation” in violation of Regulation D, the client immediately took*  
3        *down these references from its website. . . . Randy and I are concerned that*  
4        *if this information on the website is deemed to constitute ‘general*  
5        *solicitation’ then the offering will no longer qualify under Regulation D. .*  
6        *. . According to his note schedule, Denny has approximately 60 investor*  
7        *notes that are scheduled to expire in the next 6 months (and to probably*  
8        *be rolled over into new notes), so he would prefer to not be shut down and*  
9        *to have to return all of that investment money to his investors until he*  
10       *could commence operations again. Issue: Does anyone have any*  
11       *suggestion or thoughts that we can advise the client (short of closing down*  
12       *its business for six months) that he needs to do to resolve the loss of his*  
13       *exempt security status?” (Emphasis added.)*

14       (See Beauchamp Dep. Exhibit 122, attached as **SOF Ex. 62**).

15       74. Henderson and Wang responded to Beauchamp’s email on June 20, 2013,  
16       discussing when the “‘JOBS Act’ requirement that the SEC eliminate the general  
17       solicitation requirement for all accredited investors offerings [would] become  
18       effective[.]” (See Beauchamp Dep. Exhibit 122, attached as **SOF Ex. 62**).

19       75. On June 25, 2013, Beauchamp sent an email to Sipes which stated, in  
20       part: “Attached is the previous POM for the client which has only had the date changed.  
21       We stopped the updating when we were told that the investments from the investors  
22       had jumped to approximately \$47.5 million. Given that significant increase, I have  
23       been asking for help to determine what other federal or state laws might be applicable.  
24       Bob Pederson of NY has said that the Trust Indenture Act will not be applicable so long  
25       as the client is under the Regulation D, Rule 506 exemption. The other big issues [that]  
26       have waited for your help to discern [is] if we need to comply with the Investment  
27       Advisors Act of 1940 and the Registered Investment Advisors requirements.” (See  
28       Beauchamp Dep. Exhibit 125, attached as **SOF Ex. 41**).

76. Beauchamp spoke to Sipes on June 27, 2013. Beauchamp’s notes reflect  
that Sipes told him the 2011 POM had incorrectly referenced an exemption under the  
Investment Company Act, that she was considering other issues, and that she would  
follow up by email. (See Beauchamp Dep. Exhibit 126, attached as **SOF Ex. 63**).



1           77.    Beauchamp spoke to Chittick on June 27, 2013.   Beauchamp's notes  
2 reflect that he shared with Chittick the information he had received from Sipes. (*See*  
3 Beauchamp Dep. Exhibit 127, attached as **SOF Ex. 64**).

4           78.    Chittick sent Beauchamp an email on June 27, 2013 to again confirm that  
5 the requested changes to the website had been completed. He added, "Oh ya I just took  
6 in another 1.1 million yesterday." (*See* Beauchamp Dep. Exhibit 128, attached as **SOF**  
7 **Ex. 65**).

8                   **4.    During June 2013, Beauchamp Learned That Representations**  
9                   **Made In the 2011 POM About DenSco's Lending Practices**  
10                   **Were Materially Misleading But Failed to Conduct any**  
11                   **Investigation Of DenSco's Lending Practices.**

12           79.    Beauchamp received an email from Chittick on June 14, 2013.

13           80.    Chittick's email, which was copied to Yomtov "Scott" Menaged, said, in  
14 part: "I have a borrower, to which I've done a ton of business with, million[s] in loans  
15 and hundreds of loans for several years[.] [H]e's getting sued along with me. . . . Easy  
16 Investments [] has his attorney working on it[.] [I]'m okay to piggy back with his  
17 attorney to fight it[.] Easy Investments [is] willing to pay the legal fees to fight it. I  
18 just wanted you to be aware of it, and talk to his attorney, [whose] contact info is  
below." (*See* Beauchamp Dep. Exhibit 111, attached as **SOF Ex. 43**).

19           81.    Chittick's email included a forwarded email from Menaged which  
20 provided contact information for his attorney, Jeffrey J. Goulder. (*See* Beauchamp Dep.  
21 Exhibit 111 at DIC0000055, attached as **SOF Ex. 43**).

22           82.    Copies of a summons, the first four pages of a complaint, a certificate of  
23 compulsory arbitration, and a lis pendens were attached to the email. (*See* Beauchamp  
24 Dep. Exhibit 111 at DIC0000059-69, attached as **SOF Ex. 43**).

25           83.    Menaged responded to the email by telling Beauchamp in an email to  
26 "bill me for your services and utilize my attorney for anything you may need." (*See*  
27 Beauchamp Dep. Exhibit 112, attached as **SOF Ex. 45**).

1           84.    The complaint and other documents Beauchamp received identified by  
2 street address and legal description of the foreclosed home at issue in the lawsuit; they  
3 also identified the names of the former owners. (*See* Beauchamp Dep. Exhibit 111 at  
4 DIC0000069, attached as **SOF Ex. 43**).

5           85.    After reviewing these documents, Beauchamp sent an email to Chittick  
6 on June 14, 2013 which said: “*We will need to disclose this in POM.*” (Emphasis  
7 added.) (*See* Beauchamp Dep. Exhibit 113, attached as **SOF Ex. 66**).

8           86.    Bryan Cave’s billing records reflect that Beauchamp billed DenSco for  
9 30 minutes of time on June 14, 2013 devoted to “[e]mail to D. Chittick regarding need  
10 to disclose pending litigation in Private Offering Memorandum; review email from D.  
11 Chittick; review requirements.” (*See* Beauchamp Dep. Exhibit 132 at BC\_003082-83,  
12 attached as **SOF Ex. 35**).

13           87.    The complaint had been filed in Maricopa County Superior Court by Freo  
14 Arizona, LLC against DenSco; Easy Investments, LLC; Active Funding Group, LLC;  
15 Ocwen Loan Servicing, LLC; and another defendant. (*See* Beauchamp Dep. Exhibit,  
16 111 at DCI0000059, attached as **SOF Ex. 43**).

17           88.    According to the excerpt of the complaint that Beauchamp received,

18               a.    A home in Peoria, Arizona was to be sold at a trustee’s sale. (*See*  
19 Beauchamp Dep. Exhibit 111 at DCI0000063-65, attached as **SOF Ex. 43**).

20               b.    Freo claimed to have purchased the home on March 18, 2013,  
21 before the date of the scheduled trustee’s sale, by paying Ocwen Loan Servicing  
22 the payoff amount for the mortgage, and that the sale was documented in a  
23 warranty deed that had been recorded with the Maricopa County Recorder’s  
24 Office. (*Id.*)

25               c.    Ocwen failed to timely instruct the trustee to cancel the trustee’s  
26 sale. (*Id.*)

1           d.       On March 22, 2013, *Easy Investments* acquired the property at a  
2 trustee's sale, and then "*attempted to encumber the property with deeds of trust*  
3 *to Active [Funding Group] and DenSco.*" (Emphasis added.) (*Id.*)

4           e.       Freo filed its lawsuit to establish that it owned the property free  
5 and clear of liens asserted by Active Funding Group and DenSco. (*Id.*)

6       89.       The *Freo* complaint put Beauchamp on notice that DenSco's 's 2011  
7 POM was materially misleading because DenSco was not following the "proper method  
8 and procedures for funding a loan" which, according to Beauchamp's interrogatory  
9 answers, were described in the 2011 POM as including "'due diligence to verify certain  
10 information in connection with funding a Trust Deed'" and "'conduct[ing] a due  
11 diligence review by . . . verifying the documentation.'" (See Beauchamp Response to  
12 Plaintiffs First Set of Non-Uniform Interrogatories at pg. 6, Beauchamp Dep. Exhibit  
13 422 attached as **SOF Ex. 67**).

14       90.       It was apparent from the *Freo* complaint that Chittick had not conducted  
15 any due diligence before loaning money to Easy Investments to acquire this particular  
16 home, since the property had been sold, according to public records, five days before a  
17 trustee's sale. Under such circumstances, the loan funded by DenSco could not have  
18 been a loan "intended to be secured through [a] first position trust deed[]," as DenSco  
19 had represented in the 2011 POM. (See Beauchamp Dep. Exhibit 111, attached as **SOF**  
20 **Ex. 43** and see also Beauchamp Dep. Exhibit 432 at pg. 37, attached as **SOF Ex. 2**).

21       91.       It was also apparent from the *Freo* complaint that Chittick had not  
22 exercised appropriate care in loaning money to Easy Investments, since Freo alleged  
23 that Easy Investments had "attempted to encumber the property with deeds of trust to  
24 Active [Funding Group] and DenSco." That allegation called into question both the  
25 due diligence Chittick had employed in selecting Easy Investments as a borrower and  
26 the practices Chittick followed in funding loans made by DenSco. (See Beauchamp  
27 Dep. Exhibit 111 at DIC0000064, ¶20, attached as **SOF Ex. 43**).

1           92. Although the files Beauchamp maintained and Bryan Cave’s billing  
2 records reflect that the only actions Beauchamp took after receiving Chittick’s June 14,  
3 2013 email were to spend 30 minutes to “review email from D. Chittick” and to send  
4 “[e]mail to D. Chittick regarding need to disclose pending litigation in Private Offering  
5 Memorandum,” Beauchamp claims in Defendants’ initial disclosure statement (at 6-7)  
6 that he did more than that. (See Beauchamp Dep. Exhibit 132 at BC\_003082-83,  
7 attached as **SOF Ex. 35** and Schenck Dep. Exhibit 4 at pp. 6-7, attached as **SOF Ex.**  
8 **5**).

9           93. Beauchamp claims that after reviewing the *Freo* complaint, he “advised  
10 Mr. Chittick . . . that Mr. Chittick needed to fund DenSco’s loans directly to the trustee  
11 or escrow company conducting the sale, rather than provide loan funds directly to the  
12 borrower, to ensure that DenSco’s deed of trust was protected.” This is an admission  
13 by Beauchamp that he knew in June 2013 that the 2011 POM was materially  
14 misleading. (See Schenck Dep. Exhibit 4 at pg. 6, ln. 22-26, attached as **SOF Ex. 5**).

15           94. Beauchamp goes on to say in Defendants’ initial disclosure statement that  
16 “Mr. Chittick, however, explained to Mr. Beauchamp that this was an isolated incident  
17 with a borrower, Menaged, whom Mr. Chittick described in his email as someone he  
18 had ‘done a ton of business with . . . hundreds of loans for several years . . . .’” (See  
19 Schenck Dep. Exhibit 4 at pg. 6, ln. 26 - pg. 7, ln. 3, attached as **SOF Ex. 5**).

20           95. If a jury believes that Beauchamp actually had this discussion with  
21 Chittick, despite the absence of any email, note or billing record to support  
22 Beauchamp’s claim, it should conclude that Beauchamp decided not to take any steps  
23 to investigate Chittick’s admission that DenSco had lax lending practices, or was  
24 preoccupied with his efforts to find a new law firm and did not take the time to do so.  
25 (See Beauchamp Dep. Exhibit 133, attached as **SOF Ex. 36**, and Beauchamp Dep.  
26 Exhibit 139, attached as **SOF Ex. 37**).

27           96. Beauchamp did not conduct an investigation of the allegations in the *Freo*  
28 lawsuit regarding DenSco’s lending practices, or of DenSco’s lending practices

1 generally, in June 2013 (before the 2011 POM expired on July 1, 2013) or at any time  
2 thereafter. (*See* Beauchamp Dep. Transcript at pg. 240:9-19, attached as **SOF Ex. 6**;  
3 Beauchamp Dep. Exhibit 132 at BC\_003082-83, attached as **SOF Ex. 35** and Schenck  
4 Dep. Exhibit 4 at pp. 6-7, attached as **SOF Ex. 5**).

5 97. If Beauchamp had investigated the allegations in the *Freo* complaint, he  
6 would have found within minutes, by reviewing records available through the Maricopa  
7 County Recorder's website relating to the property described in the *Freo* lawsuit: (i) a  
8 Deed of Trust and Security Agreement With Assignment of Rents given by Easy  
9 Investments in favor of Active Funding Group, that Menaged had signed on March 25,  
10 2013; and (ii) a Deed of Trust and Assignment of Rents given by Easy Investments in  
11 favor of DenSco, that Menaged had signed on April 2, 2013. Both signatures were  
12 witnessed by the same notary public. (*See* generally Maricopa County Recorder's  
13 website, <https://recorder.maricopa.gov/recdocdata/> , and see also Beauchamp Dep.  
14 Exhibit 103, attached as **SOF Ex. 68** and Beauchamp Dep. Exhibit 104, attached as  
15 **SOF Ex. 69**).

16 98. Those documents confirmed the allegation in the *Freo* complaint that  
17 DenSco was not in first position on a loan it had made to Easy Investments. (*See*  
18 Beauchamp Dep. Exhibit 103, attached as **SOF Ex. 68**, and Beauchamp Dep. Exhibit  
19 104, attached as **SOF Ex. 69**).

20 99. Those documents also showed that Menaged had purposefully borrowed  
21 money, first from Active Funding and then from DenSco, using the same property as  
22 security, since he had personally signed both the Active Funding deed of trust and the  
23 DenSco deed of trust before a notary. (*Id.*)

24 **5. During July and August 2013, Beauchamp Took Minimal**  
25 **Steps to Prepare a New POM.**

26 100. After failing to do any investigation of the allegations in the *Freo* lawsuit  
27 or of DenSco's lending practices generally, an apparently distracted Beauchamp took  
28 minimal steps in July and August 2013 to prepare a new POM. (*See* Beauchamp Dep.

1 Transcript at pg. 240:9-19, attached as **SOF Ex. 6**; Beauchamp Dep. Exhibit 132 at  
2 BC\_003082-83, attached as **SOF Ex. 35** and Schenck Dep. Exhibit 4 at pp. 6-7,  
3 attached as **SOF Ex. 5**).

4 101. On July 1, 2013, Beauchamp received an email from Sipes which stated,  
5 in part, that she didn't believe DenSco would be considered an investment advisor  
6 under the Investment Company Act or the Investment Advisers Act and did not believe  
7 DenSco needed to limit the number of accredited investors to whom it offered  
8 promissory notes. (See Beauchamp Dep. Exhibit 129 at DIC0003495, attached as **SOF**  
9 **Ex. 42**).

10 102. On July 10, 2013, Beauchamp forwarded to Chittick a news report that  
11 the SEC had just decided to end the ban on general solicitation. (See Beauchamp Dep.  
12 Exhibit 130A, attached as **SOF Ex. 70**).

13 103. Bryan Cave's billing statements reflect that between July 12, 2013 and  
14 July 31, 2013, Beauchamp recorded time to "revise disclosure in Private Offering  
15 Memorandum" and "[w]ork on and revise Private Offering Memorandum" and had  
16 additional time entries to "[w]ork on revisions to Private Offering Memorandum" or  
17 "[w]ork on issues for Private Offering Memorandum." (See Beauchamp Dep. Exhibit  
18 133, attached as **SOF Ex. 36**).

19 104. But the only document in Bryan Cave's file that reflects any revisions  
20 Beauchamp made to the draft of a 2013 POM is a draft containing several of his  
21 handwritten edits. They included a note on the cover of the draft to "revise to new  
22 version for B/L purposes," but no blacklined draft of a 2013 POM exists in Bryan  
23 Cave's file. (See Beauchamp Dep. Exhibit 130, attached as **SOF Ex. 71**).

24 105. Bryan Cave's billing records reflect that the only work Beauchamp  
25 performed on the draft 2013 POM during August 2013 was to exchange emails on  
26 August 6, 2013 with Jensen asking for a form subscription agreement to comply with  
27 changes to Rule 506. (See Beauchamp Dep. Exhibit 139, attached as **SOF Ex. 37**).

1           106. When Beauchamp left Bryan Cave in August 2013, the “due diligence”  
2 file for the draft 2013 POM contained only three documents: (1) a June 18, 2013 article  
3 captioned “Determining whether a company is an investment company”; (2) a printout  
4 from DenSco’s website dated June 17, 2013; and (3) a July 28, 2010 article captioned  
5 “Private Fund Investors Advisors Registration Act of 2010: New Law Changes  
6 Regulatory Framework for Alternative Investment Advisors.” (See Beauchamp Dep.  
7 Exhibit 136, attached as **SOF Ex. 51**).

8           107. Beauchamp’s notes reflect that he left a voicemail message for Chittick  
9 on August 26, 2013 regarding “need to work on the latest version of POM that Denny  
10 has w/ the prior experience charts. Need to discuss timing and update.” (See  
11 Beauchamp Dep. Exhibit 134, attached as **SOF Ex. 47**).

12           108. His notes go on to reflect that he spoke to Chittick on August 26, 2013  
13 and that he “explained delay w/ POM,” discussed the “need to get copy of Denny’s  
14 latest POM & make changes to it,” and discussed that “BC will be sending a letter to  
15 Denny & letting Denny decide if he wants files kept at BC or moved to CH.” (*Id.*)

16                   **6. Beauchamp Now Claims That Chittick Was Responsible for**  
17                   **His Failure to Prepare a New POM Before He Left Bryan**  
18                   **Cave, But His Claim is at Odds With the Documentary**  
19                   **Record.**

20           109. In Defendants’ initial disclosure statement (at 5), Beauchamp claims that  
21 he “was never able to finalize the 2013 POM” because of Chittick. He says that  
22 “[a]lthough [he] asked for updated investment, loan and financial information regarding  
23 DenSco, Mr. Chittick stalled on providing the information, preferring to wait until after  
24 he scaled down the amount outstanding to investors.” (See Schenck Dep. Exhibit 4,  
25 attached as **SOF Ex. 5**).

26           110. But Beauchamp’s claim has absolutely no support in the documentary  
27 record and is at odds with that record. Not only is there nothing in Bryan Cave’s files  
28 reflecting that Beauchamp asked Chittick for information that was not provided or that  
Chittick engaged in “stalling” tactics by Chittick, but the files reflect that Chittick

1 promptly gave Beauchamp the information he requested, and followed Beauchamp's  
2 advice, such as when Chittick promptly changed DenSco's website after Beauchamp  
3 told him to do so. (*See* Beauchamp Dep. Exhibit 128, attached as **SOF Ex. 65**).

4 111. Moreover, the corporate journal Chittick maintained for 2013 (the "2013  
5 Corporate Journal") does not reflect any entries by Chittick about requests from  
6 Beauchamp for information or his declination to provide that information. (*See* Schenck  
7 Dep. Exhibit 20, attached as **SOF Ex. 72**).

8 112. The only reference in the 2013 Corporate Journal to the preparation of  
9 the 2013 POM is a June 17, 2013 entry which stated: "I am going back and forth with  
10 David about how to circumvent this 50 million issue on size." That entry is consistent  
11 with Beauchamp's communications of the same date as to whether DenSco had  
12 engaged in general solicitation, an issue which, as noted above, was resolved on  
13 July 10, 2013. (*See* Schenck Dep. Exhibit 20 at RECEIVER\_00020, attached as **SOF**  
14 **Ex. 72**).

15 **7. A Distracted Beauchamp, After Failing to Prepare a New**  
16 **POM by July 1, 2013, Did Not Advise DenSco to Stop Selling**  
17 **Promissory Notes Until a New POM Was Issued.**

18 113. By its terms, the 2011 POM expired on July 1, 2013. (*See* Beauchamp  
19 Dep. Exhibit 432, attached as **SOF Ex. 2**).

20 114. There is no evidence in the documentary record that Beauchamp, with  
21 one foot out Bryan Cave's door, ever advised DenSco that it could not sell any new  
22 promissory notes after July 1, 2013 until it issued a new POM, and Beauchamp does  
23 not claim that he did so.

24 115. Beauchamp, preoccupied with finding a new law firm where he could  
25 continue to practice law, failed to give that advice, even though he knew, as he told his  
26 Bryan Cave colleagues in a June 20, 2013 email, that DenSco had "approximately 60  
27 investor notes that are scheduled to expire in the next 6 months (and to probably be  
28



1 rolled over into new notes).” (See Beauchamp Dep. Exhibit 122, attached as **SOF Ex.**  
2 **62**).

3 116. And while Beauchamp claims in Defendants’ initial disclosure statement  
4 (at 7) that “[p]rior to his departure” from Bryan Cave, he “repeatedly made clear to  
5 DenSco and Mr. Chittick that they needed to update DenSco’s POM,” there is no  
6 documentary support for that claim. (See generally Beauchamp Dep. Exhibit 133,  
7 attached as **SOF Ex. 36** and Beauchamp Dep. Exhibit 139, attached as **SOF Ex. 37**).

8 117. Even if a jury believes that Beauchamp actually gave that advice, despite  
9 the absence of any supporting documents, the advice fell short of an explicit instruction  
10 that no sales could be made until a new POM was prepared. Without that instruction,  
11 Chittick was effectively told that DenSco could indefinitely delay “updating” its POM  
12 while continuing to sell promissory notes.

13 **8. Because of Beauchamp’s Inattention, Chittick Caused DenSco**  
14 **to Sell Approximately \$3.3 Million of Promissory Notes Before**  
**Beauchamp Left Bryan Cave.**

15 118. Because Beauchamp failed to prepare a new POM by July 1, 2013 and  
16 failed to tell Chittick that DenSco could not sell promissory notes until a new POM was  
17 issued, Chittick caused DenSco, during July and August 2013, to sell promissory notes  
18 to some of the “approximately 60 investor[s]” whose notes Beauchamp knew were  
19 “scheduled to expire in the next 6 months (and to probably be rolled over into new  
20 notes).” (See Beauchamp Dep. Exhibit 122, attached as **SOF Ex. 62**).

21 119. In each case, an investor who had purchased a two-year promissory note  
22 in 2011, which expired in July or August 2013, purchased a new two-year promissory  
23 note. Those sales, which total \$2,337,653.47, are summarized in the following chart.

24

Investor	Amount	Date
Jeff Phalen	\$100,000	7/1/13
Gary Thompson	\$250,000	7/3/13
Kaylene Moss	\$10,000	7/12/13

25  
26  
27  
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Branson & Sandra Smith	\$250,000	7/13/13
Ralph Kaiser IRA	\$170,653.47	7/17/13
Jimmy Trainor	\$122,000	7/22/13
Russ Grisswold IRA	\$50,000	7/24/13
William Alber	\$60,000	7/28/13
Carol Wellman	\$50,000	7/28/13
Tom Smith	\$400,000	8/2/13
GE Seigford	\$70,000	8/2/13
GE Seigford	\$40,000	8/2/13
Carysn Smith	\$10,000	8/2/13
McKenna Smith	\$10,000	8/3/13
Gary Thompson	\$145,000	8/3/13
Carol & Mike Wellman	\$25,000	8/5/13
Stacy Grant IRA	\$75,000	8/8/15
GE Seigford	\$50,000	8/18/15
Tom Smith	\$400,000	8/24/15
Dale Hickman	\$50,000	8/30/15

120. In addition to these “rollover” promissory note sales, Chittick caused DenSco to sell \$926,567 of new promissory notes to existing and new investors during July and August 2013. Those sales are summarized in the following chart.

Investor	Amount	Date	Maturity
Laurie Weiskopf	\$100,000	7/10/13	7/10/15
Carol McDowell	\$100,000	7/3/13	7/3/15
Kevin Potempa	\$100,000	7/29/13	1/26/16
Wayne Ledet	\$30,567	8/23/13	8/23/15
Tom Smith	\$500,000	8/26/13	2/26/15

Kirk Fischer	\$70,000	8/26/13	8/26/18
Carsyn Smith	\$8,000	8/26/13	8/26/15
McKenna Smith	\$8,000	8/26/13	8/26/15
Averill Cate	\$10,000	8/29/13	8/29/14

**C. Facts Regarding Clark Hill's Representation of DenSco in 2013**

**1. In September 2013, Beauchamp Brought DenSco to Clark Hill as a New Client and Clark Hill Agreed to Prepare a New POM.**

121. On September 11 and 12, 2013, Beauchamp exchanged emails with Chittick about taking steps to have certain DenSco files transferred from Bryan Cave to Clark Hill: "AZ Practice Review"; "Blue Sky Issues"; "Garnishments"; "General Corporate"; and "2011 and 2013 Private Offering." (*See* Beauchamp Dep. Exhibit 136A, attached as **SOF Ex. 73**).

122. On September 12, 2013, Beauchamp sent Chittick an engagement letter, which Chittick signed and returned that day. (*See* Beauchamp Dep. Exhibit 137, attached as **SOF Ex. 74** and Beauchamp Dep. Exhibit 138, attached as **SOF Ex. 75**).

123. The letter, which was captioned "Representation of DenSco Investment Corporation," stated that it would "serve[] to record the terms of [Clark Hill's] engagement to represent DenSco Investment Corporation (the 'Client'), with regard to the legal matters transferred to Clark Hill PLC from Bryan Cave LLP." (*See* Beauchamp Dep. Exhibit 137, attached as **SOF Ex. 74**).

124. Clark Hill's engagement letter, like those Beauchamp had sent DenSco when he was at Gammage & Burnham and Bryan Cave, identified DenSco as Clark Hill's client. (*See* Beauchamp Dep. Exhibit 138 at DIC0008653, attached as **SOF Ex. 75**).

125. But Clark Hill's engagement letter went further, and expressly stated that Clark Hill was representing only DenSco, and was not representing Chittick in any capacity. (*See* Beauchamp Dep. Exhibit 137, attached as **SOF Ex. 74**).

1           a.       The letter stated that it was “supplemented by our Standard Terms  
2 of Engagement for Legal Services, attached, which are incorporated in this letter  
3 and apply to this matter and the other matter(s) for which you engage us.” (*Id.*)

4           b.       The “Standard Terms of Engagement for Legal Services” included  
5 a section called “Whom We Represent.” That section stated: “The . . . entity  
6 whom we represent is the . . . entity identified in our engagement letter and does  
7 not include any . . . employees, officers, directors, shareholders of a corporation  
8 . . . unless our engagement letter expressly provides otherwise.” (Beauchamp  
9 Dep. Exhibit 137 at CH\_0000806, attached as **SOF Ex. 74**).

10       126.   Even though this engagement letter clearly and expressly stated that Clark  
11 Hill represented only DenSco and was not also representing Chittick, Clark Hill and  
12 Beauchamp say in their initial disclosure statement (at 3) that “Chittick understood that  
13 Mr. Beauchamp, as an incident to Mr. Beauchamp’s representation of DenSco, was also  
14 representing Mr. Chittick in his capacity as president of DenSco.” (*See* Schenck Dep.  
15 Exhibit 4, attached as **SOF Ex. 5**).

16       127.   On September 13, 2013, Beauchamp took steps to open a new matter for  
17 DenSco in Clark Hill’s accounting and filing systems that was mis-identified as “2003  
18 Private Offering Memorandum.” Beauchamp’s notes stated that the file was being  
19 opened to “[f]inish 2013 POM for client. Started POM update at Bryan Cave.” (*See*  
20 Beauchamp Dep. Exhibit 138 at DIC0008653, attached as **SOF Ex. 75**).

21       128.   Beauchamp opened this file, obligating Clark Hill to provide securities  
22 advice to DenSco and to diligently and promptly “finish [the] 2013 POM,” knowing  
23 that the 2011 POM had expired on July 1, 2013, no new POM had been issued, and that  
24 as of June 20, 2013, “[a]ccording to [Chittick’s] note schedule, [DenSco] ha[d]  
25 approximately 60 investor notes that are scheduled to expire in the next 6 months (and  
26 to probably be rolled over into new notes).” (*See* Beauchamp Dep. Exhibit 122, attached  
27 as **SOF Ex. 62** and Beauchamp Dep. Exhibit 138 at DIC0008653, attached as **SOF Ex.**  
28 **75**).

1                   **2.     According to Clark Hill's Records the Firm Did No Work**  
2                   **Whatsoever on a New POM During the Months of September,**  
3                   **October, November and December 2013.**

4           129.   Clark Hill's records show that neither Beauchamp nor any other Clark  
5           Hill attorney performed *any* work on a new POM during September, October, or  
6           November 2013.

7           130.   The records also show that neither Beauchamp nor any other Clark Hill  
8           attorney even attempted to contact Chittick about the new POM. (*See* Schenck Dep.  
9           Exhibit 6, attached as **SOF Ex. 20**; Schenck Dep. Exhibit 19, attached as **SOF Ex. 32**).

10                               **a.     On December 18, 2013, Chittick Asked Beauchamp By**  
11                               **Email Why the New POM Had Not Been Finished.**

12           131.   The first time entry in Clark Hill's billing records relating to a new POM  
13           is a twelve-minute entry by Beauchamp on December 18, 2013 to "review email;  
14           telephone conversation with D. Chittick; review POM." Schenck Dep. Exhibit 6,  
15           attached as **SOF Ex. 20**).

16           132.   The email referenced in that time entry is an email that Chittick sent to  
17           Beauchamp on December 18, 2013, saying "since you've moved, we've never finished  
18           the update on the memorandum. Warren is asking where it is."<sup>1</sup> (*See* Beauchamp Dep.  
19           Exhibit 139A, attached as **SOF Ex. 76**).

20           133.   Beauchamp did not send Chittick a response to that email.

21           134.   There are not any notes in Clark Hill's files made by Beauchamp that  
22           summarized his December 18, 2013 call with Chittick. (*See* Beauchamp Dep. Exhibit  
23           139A, attached as **SOF Ex. 76**; Schenck Dep. Exhibit 6, attached as **SOF Ex. 20**;  
24           Schenck Dep. Exhibit 4 at pg. 7, ln. 17-26 attached as **SOF Ex. 5**).

25           135.   Beauchamp apparently asked Chittick during that call to send him a copy  
26           of the 2011 POM, since Chittick emailed Beauchamp an electronic copy of the final

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27           <sup>1</sup> Chittick was apparently referring to Warren Bush, an investor who had  
28           reviewed and commented on a draft of the 2011 POM, and had communicated with  
          Beauchamp about that draft.

1 2011 POM during the late morning of December 18, 2013. Beauchamp promptly  
2 responded, saying simply “[t]hank you. Have a wonderful holiday season.” (See  
3 Beauchamp Dep. Exhibit 140, attached as **SOF Ex. 77**).

4 136. Beauchamp forward Chittick’s e-mail to his secretary that afternoon,  
5 asking her to “put this on our system for DenSco Investment Corporation/2013 POM.”  
6 (See Beauchamp Dep. Exhibit 141, attached as **SOF Ex. 78**).

7 **b. Clark Hill Claims That Beauchamp Learned During the**  
8 **December 18, 2018 Call With Chittick About Problems**  
9 **in DenSco’ Loan Portfolio but Clark Hill Did Nothing**  
10 **to Investigate Those Problems Nor Did It Begin**  
11 **Preparing a New POM.**

12 137. In their initial disclosure statement (at 7), Clark Hill and Beauchamp  
13 make claims about Beauchamp’s December 18, 2013 telephone call with Chittick that  
14 are at odds with Clark Hill’s file, including its billing statement. They allege that  
15 Chittick told Beauchamp “he had run into an issue with some of his loans with  
16 Menaged, and specifically, that properties securing a few DenSco loans were each  
17 subject to a second deed of trust competing for priority with DenSco’s deed of trust.”  
18 (See Schenck Dep. Exhibit 4 at pg. 7, ln. 17-26 attached as **SOF Ex. 5**).

19 138. Clark Hill and Beauchamp claim that, “[a]fter briefly discussing the  
20 allegedly limited double lien issue, Mr. Chittick emphasized to Mr. Beauchamp that  
21 Mr. Chittick wanted to avoid litigation with other lenders. Mr. Chittick, however, did  
22 not request any advice or help. Accordingly, Mr. Beauchamp suggested that Mr.  
23 Chittick develop and document a plan to resolve the double liens, and nothing more  
24 came of the conversation.” (See Schenck Dep. Exhibit 4 at pg. 7, ln. 22-26 attached as  
25 **SOF Ex. 5**).

26 139. Lastly, Clark Hill and Beauchamp claim that during the telephone  
27 conversation “Mr. Beauchamp reminded Mr. Chittick that he still needed to update  
28 DenSco’s private offering memorandum.” (See Schenck Dep. Exhibit 4 at pg. 7, ln.  
21-22 attached as **SOF Ex. 5**).

1           140. No document in Clark Hill's file, such as the handwritten notes that  
2           Beauchamp consistently and regularly kept to record his telephone conversations and  
3           meetings with Chittick, exists.

4           141. The 2013 Corporate Journal does not have any entries by Chittick  
5           reflecting that he had such a conversation with Beauchamp in December 2013. (*See*  
6           Schenck Dep. Exhibit 20, attached as **SOF Ex. 72**).

7           142. December 12, 2013 bill shows "[r]eview email and outline Florida  
8           research." (*See* Schenck Dep. Exhibit 6, at CH\_0002310, attached as **SOF Ex. 20**).

9           143. Between December 20, 2013 and December 23, 2013, both Beauchamp  
10          and Schenck recorded time to conducting research and analysis on "Florida broker  
11          issues," "hard money regulatory lender requirements in Florida," and "Florida lending  
12          licenses." (*Id.*)

13          144. On December 23, 2013, Beauchamp recorded 42 minutes of time to  
14          "[r]eview Florida research from D. Schenck; discuss research and follow up with D.  
15          Schenck; email to D. Chittick." (*See* Schenck Dep. Exhibit 6, at CH\_0002310,  
16          attached as **SOF Ex. 20**).

17          145. On Christmas Eve, December 24, 2013, Beauchamp sent Chittick an  
18          email which stated: "Happy Holidays! Quick Status: Based on a review of the Florida  
19          statutes, you would be considered a 'Mortgage Lender' which requires a license in  
20          Florida. The Florida government office that regulates 'Mortgage Lender' [sic] has been  
21          difficult to reach, but we will try again on Thursday. I want to confirm if you might be  
22          able to qualify for a limited license to operate in Florida and check a few other  
23          questions." (*See* Schenck Dep. Exhibit 31, attached as **SOF Ex. 79**). If a jury were to  
24          believe Beauchamp's claim that he had such a conversation with Chittick on December  
25          18, 2013, despite the lack of evidence, it could only conclude that Clark Hill and  
26          Beauchamp were negligent by:

27                  a. Failing to immediately investigate the information Beauchamp  
28          received about the Menaged loan problem, since Clark Hill had an affirmative

1 duty to diligently and timely prepare a new POM, having agreed to do so in  
2 September 2013; and

3 b. Failing to expressly instruct Chittick that DenSco could not sell  
4 *any* promissory notes, since the 2011 POM had expired and a new POM had not  
5 yet been issued.

6 ii. By merely “reminding” Chittick that DenSco needed to  
7 “update” the 2011 POM, knowing that one-half of its investors would be  
8 “rolling over” promissory notes during the last six months of 2013,  
9 Beauchamp effectively advised Chittick that DenSco could indefinitely  
10 delay “updating” the 2011 POM while continuing to sell promissory  
11 notes.

12 **3. Although Clark Hill Did Nothing in December 2013 to Prepare**  
13 **a New POM and Investigate Problems in DenSco’s Loan**  
14 **Portfolio, It Devoted Time That Month to Advising DenSco**  
**About Possibly Expanding its Business to Florida.**

15 146. In Chittick’s December 18, 2013 email to Beauchamp, Chittick wrote,  
16 after asking about the status of Clark Hill’s work on a new POM, about his plans to  
17 expand DenSco’s business to Florida. He wrote: “[I]’ve got two of my best borrowers  
18 moving to F[L][.] [T]hey are begging me to look at lending in FL. [I] don’t know  
19 anything about the market there, but [I] trust these guys. [I]’ve done 20 million with  
20 them over the past 5 yrs. [I]s it easy to find out the challenges, issues, etc with me  
21 lending there?” (See Beauchamp Dep. Exhibit 139A, attached as **SOE Ex. 76**).

22 147. While Beauchamp did nothing in response to Chittick’s question about  
23 the status of a new POM, he immediately forwarded Chittick’s e-mail to Clark Hill  
24 attorney Daniel Schenck, asking “[w]ill you have time to do the research for Florida or  
25 should I find someone else?” (See Schenck Dep. Exhibit 30, attached as **SOE Ex. 80**).

26 148. On December 26 and 30, 2013, Beauchamp and Schenck recorded time  
27 to obtaining information from the Florida Office of Financial Regulation and other  
28 information relevant to Chittick’s December 18, 2013 inquiry about expanding



1 DenSco's lending operations to Florida. (*See* Schenck Dep. Exhibit 6 at CH\_0002310,  
2 attached as **SOF Ex. 20**).

3 **4. Clark Hill Blames Chittick for Its Failure to Prepare a New**  
4 **POM in 2013.**

5 149. In their initial disclosure statement (at 7), Clark Hill and Beauchamp  
6 blame Chittick for their failure to do anything to prepare a new POM, which Clark Hill  
7 agreed to undertake in early September 2013. They say that after Chittick signed Clark  
8 Hill's engagement letter on September 12, 2013 and directed Bryan Cave to transfer  
9 certain files to Clark Hill, "...Mr. Beauchamp never heard from Mr. Chittick regarding  
10 the unfinished 2013 POM, or any other matter, until December 2013." (*See* Schenck  
11 Dep. Exhibit 4, pg. 7, ln. 13-15, attached as **SOF Ex. 5**).

12 150. When he was deposed, Beauchamp offered a new excuse for Clark Hill's  
13 failure to do any work on a new POM. He testified that Clark Hill did nothing to prepare  
14 a new POM for DenSco because Chittick instructed him, as a condition of signing Clark  
15 Hill's engagement letter, that Clark Hill not do any work on a new POM "until I'm  
16 ready to go," and Beauchamp agreed. (*See* Beauchamp Dep. Transcript at pg. 295:10-  
17 19, attached as **SOF Ex. 6**).

18 151. Beauchamp did not include this material limitation on Clark Hill's  
19 representation in the engagement letter he asked DenSco to sign. (*See* Beauchamp Dep.  
20 Exhibit 137, attached as **SOF Ex. 74**).

21 152. When Clark Hill agreed to abide by Chittick's request, neither  
22 Beauchamp nor any other Clark Hill attorney separately advised Chittick that DenSco  
23 could not sell any promissory notes until it authorized Clark Hill to prepare a new POM  
24 and DenSco had issued the POM.

1                   **5. Clark Hill Was Negligent By Failing to Instruct DenSco That**  
2                   **it Could Not Sell Any Promissory Notes Until a New POM Was**  
3                   **Issued, and Aided and Abetted Chittick to Breach Fiduciary**  
4                   **Duties He Owed DenSco by Following Chittick's Instructions**  
5                   **to Not Prepare a New POM for DenSco, Knowing DenSco Was**  
6                   **Continuing its Business Operations and Selling Rollover**  
7                   **Promissory Notes.**

8                   153. Clark Hill was negligent by never advising Chittick that DenSco could  
9                   not sell any promissory notes until it had issued a new POM.

10                  154. The evidence that will be presented to a jury will establish that if Clark  
11                  Hill had done so, DenSco would have followed that advice and worked diligently with  
12                  Clark Hill to prepare a new POM so that it could resume selling promissory notes.

13                  a. Among other evidence is Clark Hill and Beauchamp's admission  
14                  in their initial disclosure statement (at 4), that "[o]ver the years, Mr. Chittick  
15                  showed himself to be a trustworthy and savvy businessman, and a good client.  
16                  . . . Despite complaining about the cost of legal services, Mr. Chittick appeared  
17                  to follow Mr. Beauchamp's advice and provided information when asked for it."  
18                  (See Schenck Dep. Exhibit 4, at pg. 4, ln. 19-21, attached as **SOF Ex. 5**).

19                  b. Moreover, approximately six weeks before Clark Hill was  
20                  retained, DenSco had immediately followed Bryan Cave's advice to modify its  
21                  website, and Bryan Cave's files reflect that Chittick was prepared to cause  
22                  DenSco to refund all investor loans if that was necessary to correct the "general  
23                  solicitation" problem Bryan Cave had identified(See Beauchamp Dep. Exhibit  
24                  117, attached as **SOF Ex. 59**; Beauchamp Dep. Exhibit 128, attached as **SOF**  
25                  **Ex. 65**, Beauchamp Dep. Transcript at pp. 285:19-286:7, attached as **SOF Ex.**  
26                  **6**).

27                  155. Beauchamp, by testifying that Clark Hill did not work on a new POM in  
28                  2013 because Chittick conditioned DenSco's execution of the firm's engagement letter  
                on Clark Hill's agreement to not perform any work on a new POM until Chittick was  
                "ready to go" -- when he and Clark Hill knew that one-half of DenSco's investors would  
                "roll over" their investments and purchase new promissory notes during the last six

1 months of 2013 --has admitted that from the moment DenSco retained Clark Hill in  
2 September 2013, Clark Hill aided and abetted Chittick in breaching fiduciary duties  
3 Chittick owed DenSco. (*See* Beauchamp Dep. Transcript at pp. 299:2-302:6, attached  
4 as **SOF Ex. 6**).

5 156. Between September and December 2013, Clark Hill substantially assisted  
6 Chittick in breaching his fiduciary duties to DenSco by:

7 a. accepting DenSco as a client for purposes of preparing a new  
8 POM, and then abiding by Chittick's instruction to not do any work on that  
9 POM, knowing DenSco was continuing its business operations, including the  
10 sale of promissory notes; (Schenck Dep. Exhibit 6, attached as **SOF Ex. 20**).

11 b. failing to appropriately advise DenSco about, and investigate facts  
12 regarding, DenSco's loan portfolio because Chittick was allegedly "dealing"  
13 with those problems; and (*See* Beauchamp Dep. Exhibit 350, attached as **SOF**  
14 **Ex. 81**).

15 c. advising Chittick that DenSco could indefinitely delay the  
16 issuance of an "update" to the 2011 POM (Beauchamp Dep. Exhibit 134,  
17 attached as **SOF Ex. 47**).

18 157. The ongoing sale of "roll over" and new promissory notes was necessary  
19 for DenSco to continue its business operations, and Clark Hill enabled DenSco to obtain  
20 investor funds for a four-month period without making adequate disclosures to those  
21 investors, exposing DenSco to substantial liability to its investors. (*See* Beauchamp  
22 Dep. Exhibit 150, attached as **SOF Ex. 129**; Beauchamp Dep. Transcript at pp. 189:15-  
23 193:12, attached as **SOF Ex. 6**).

24 **6. During the First Four Months of Clark Hill's Representation**  
25 **of DenSco, the Firm Aided and Abetted Chittick's Breach of**  
26 **Fiduciary Duty to DenSco When He Caused DenSco to Sell**  
27 **Approximately \$8.5 Million of Promissory Notes in Violation**  
28 **of the Securities Laws**

1           158. As a result of Clark Hill's and Beauchamp's conduct, Chittick caused  
2 DenSco between September and December 2013 to sell promissory notes to some of  
3 the "approximately 60 investor[s]" whose promissory notes Beauchamp knew were  
4 "scheduled to expire [during the last six months of 2013] (and to probably be rolled  
5 over into new notes)." (See Beauchamp Dep. Exhibit 117, attached as **SOF Ex. 59**;  
6 Beauchamp Dep. Transcript at pp. 277:24-278:24, attached as **SOF Ex. 6**).

7           159. In each case, an investor who had purchased a two-year promissory note  
8 in 2011, which expired in September, October, November or December 2013,  
9 purchased a new two-year promissory note. Those sales, which total \$4,148,162.79,  
10 are summarized in the following chart. (See Beauchamp Dep. Exhibit 422, attached as  
11 **SOF Ex. 67**, Schenck Dep. Exhibit 21 attached as **SOF Ex. 82**; Schenck Dep. Exhibit  
12 51 attached as **SOF Ex. 83**, Beauchamp Dep. Transcript at pp. 432:2-436:3, attached  
13 as **SOF Ex. 6**).

Investor	Amount	Date
Van Butler	\$50,000	9/1/13
Arden & Nina Chittick	\$100,000	9/1/13
Carysn Smith	\$10,000	9/2/13
Michael & Diana Gumbert	\$100,000	9/8/13
Kaylene Moss	\$10,000	9/8/13
McKenna Smith	\$10,000	9/8/13
Glen Davis	\$20,000	9/12/13
Averill Cate, Jr.	\$10,000	9/13/13
Craig Brown	\$25,000	9/20/13
Judy & Gary Siegford	\$40,000	9/20/13
Bill & Jean Locke	\$15,000	9/25/13
Bill & Jean Locke	\$30,000	9/25/13
Ralph Hey	\$60,000	9/29/13

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Michael & Diana Gumbert	\$100,000	9/30/13
Mary Kent	\$100,000	10/1/13
Jim McArdle	\$100,000	10/3/13
Caro McDowell	\$100,000	10/7/13
Jeff Phalen	\$20,000	10/14/13
Jeff Phalen	\$20,000	10/14/13
Jeff Phalen – IRA	\$200,000	10/18/13
Brian Imdieke	\$250,000	10/19/13
Bill Hughes – IRA	\$314,700	10/24/13
Judy Hughes – IRA	\$14,300	10/24/13
Manual A. Lent – IRA	\$40,000	10/25/13
Dave Preston	\$60,000	10/26/13
Michael & Diana Gumbert	\$100,000	11/1/13
Jolene Page	\$50,000	11/1/13
Stanley Scholz – IRA	\$50,000	11/5/13
Wade Underwood	\$50,000	11/5/13
Paul A. Kent	\$112,161.79	11/9/13
Scott D. Detota	\$50,000	11/14/13
Tom Smith	\$800,000	11/21/13
Mary Kent	\$100,000	11/21/13
Les Jones	\$100,000	11/21/13
Vince & Sharry Muscat	\$200,000	11/23/13
Lillian Lent – IRA	\$17,000	11/25/13
Jolene Page	\$50,000	12/1/13
Gary Thompson	\$20,000	12/4/13
Kennen Burkhart	\$150,000	12/15/13
Mo & Sam Chittick	\$50,000	12/20/13

Jolene Page	\$200,000	12/22/13
Brian Imdieke	\$250,000	12/23/13

160. In addition to these “rollover” promissory note sales, Chittick caused DenSco to sell \$4,029,066.71 of new promissory notes to existing and new investors during September, October, November and December 2013. Those sales are summarized in the following chart.<sup>2</sup>

Investor	Amount	Date
Ralph Hey	\$15,000	9/6/13
Marvin & Pat Miller	\$900,000	9/9/13
Marvin & Pat Miller	\$100,000	9/9/13
Marvin & Pat Miller	\$706,000	9/10/13
Ross Dupper	\$800,000	9/13/13
Jeff Phalen – IRA	\$150,000	9/17/13
Michael Zones	\$500,000	9/24/13
Erin Carrick – Trust	\$200,066.71	9/27/13
Averill Cate	\$10,000	10/15/13
Jemma Kopel	\$100,000	11/14/13
Averill Cate	\$10,000	11/15/13*
Brian Odenthal – IRA	\$8,000	12/1/13
Averill Cate	\$10,000	12/15/13*
Brian & Janice Odenthal	\$20,000	12/19/13
Steven Bunger	\$500,000	12/20/13**

(See Exhibit A to Davis Dep. Exhibit 479, attached as **SOF Ex. 84**).

<sup>2</sup> Each note was a two-year note, except those marked with an \*, which were one-year notes, and the note marked with \*\*, which matured on 3/31/14.

1           **D.     Facts Regarding Clark Hill’s Representation of DenSco During 2014**

2                   **1.     Clark Hill Learned During the First Week of January 2014**  
3                   **That DenSco Had Suffered a Substantial Loan Loss Because**  
4                   **of Chittick’s Mismanagement and Failure to Follow the**  
5                   **Lending Procedures DenSco Had Told Its Investors It Would**  
6                   **Follow.**

7           161.   On Sunday, January 5, 2014, Beauchamp received an email from Chittick  
8           asking if he had time to meet with him during the coming week. (*See* Chittick email at  
9           CH\_0000852-853, attached as **SOF Ex. 85**).

10                   **a.     On January 6, 2014, Beauchamp Received a Demand**  
11                   **Letter That Called into Question 52 Loans DenSco Had**  
12                   **Made to Menaged.**

13           162.   On Monday, January 6, 2014, Beauchamp received an email from  
14           Chittick which stated: “read the first two pages, then give me a call.” Attached to the  
15           email was a three-page demand letter from Bryan Cave attorney Robert J. Miller;  
16           Exhibit A, a list of 52 properties; and two subordination agreements. (*See* Beauchamp  
17           Dep. Exhibit 142, attached as **SOF Ex. 86**).

18           163.   The letter was written on behalf of Azben Limited, LLC; Geared Equity,  
19           LLC; and 50780, LLC (the “Lienholders”). It asserted that Geared Equity, 50780, and  
20           Sell Wholesale Funding, LLC (the “Lenders”) had each loaned money to Arizona Home  
21           Foreclosures, LLC and Easy Investments, LLC, and that the loans Sell Wholesale  
22           Funding had made were subsequently assigned to Azben. (*See* Beauchamp Dep. Exhibit  
23           142 at CH\_0000829, attached as **SOF Ex. 86**).

24           164.   Exhibit A to the letter identified, with reference to specific loan numbers  
25           and street addresses, 52 loans that the Lenders had made to Easy Investments and  
26           Arizona Home Foreclosures to acquire 52 homes at trustee sales. (*See* Beauchamp Dep.  
27           exhibit 142 at CH\_0000832, attached as **SOF Ex. 86**).

28           165.   The letter asserted that the Lenders’ loans had been made by “certified  
funds delivered directly to the trustee” and secured by “promptly recorded deeds of

1 trust confirming a senior lien position on each of the Properties.” (See Beauchamp Dep.  
2 Exhibit 142 at CH\_0000829, attached as **SOF Ex. 86**).

3 166. The letter went on to assert that DenSco had “engaged in a practice of  
4 recording a ‘mortgage’ on each of the [52 properties] on around the same time as the  
5 Lenders were recording their senior deeds of trust” and that *each such mortgage falsely*  
6 *stated that DenSco had “provided purchase money funding” and that its “loans are*  
7 *‘evidenced by a check payable’ to the trustee for each of the Properties.*” (Emphasis  
8 added.) (*Id.*)

9 167. The letter asserted that DenSco could not claim to be in a senior lien  
10 position on those properties “since in each and every instance, only the Lenders  
11 provided the applicable trustee with certified funds supporting the Borrower’s purchase  
12 money acquisition for each of the Properties.” (See Beauchamp Dep. Exhibit 142 at  
13 CH\_0000830, attached as **SOF Ex. 86**)

14 168. The letter demanded that DenSco sign subordination agreements  
15 acknowledging that it did not have a first position lien on any of the 52 properties, and  
16 said that if DenSco refused to do so, the Lienholders would assert claims against  
17 DenSco for fraud and conspiracy to defraud; negligent misrepresentation; and wrongful  
18 recordation pursuant to A.R.S. § 33-420. (*Id.*)

19 169. The letter included “two forms of subordination agreement – one form  
20 document applies to the Azben loans and the other form applies to the loans of Geared  
21 Equity, LLC and 50780, LLC.” A footnote stated that “[p]roperty addresses and other  
22 ‘form’ information will need to be included in each subordination agreement. My firm  
23 will only commence preparing a subordination agreement for each loan when written  
24 confirmation is provided that DenSco has unconditionally agreed to execute each  
25 subordination agreement in the form enclosed herein.” (*Id.*)

26 **b. On January 6, 2014, Beauchamp Reviewed the Demand**  
27 **Letter, Which Provided Clear Evidence That Chittick**  
28 **Had Breached His Fiduciary Duties to DenSco and**  
**Exposed DenSco to Substantial Financial Loss.**



1           170. Beauchamp spoke to Chittick by telephone that day, after receiving the  
2 letter. Beauchamp's notes from that call state that Chittick told him DenSco's "largest  
3 borrower" – who Beauchamp knew or should have known from the *Freo* lawsuit he  
4 had received in June 2013 was Menaged – "had a guy working in his office and was  
5 getting 2 loans on each property," and that Chittick and Menaged "had already fixed  
6 about 6 loans." The notes reflect that Beauchamp planned to meet with Chittick on  
7 Thursday, January 9, 2014. (*See* Beauchamp Dep. Exhibit 143, attached as **SOF Ex.**  
8 **87**).

9           171. Clark Hill's billing records reflect that Beauchamp billed 2.4 hours on  
10 January 6, 2014 to "[r]eview, work on and ; review statutory references; telephone  
11 conversation with office of D. Chittick [a reference to having left a voice-mail message  
12 for Chittick, since he worked alone from his home office]; telephone conversation with  
13 D. Chittick regarding demand letter, issues, background information and requirements;  
14 review notes and statute requirements; review documents." (*See* Schenck Dep. Exhibit  
15 6 at CH\_0002313, attached as **SOF Ex. 20**).

16           172. From the demand letter alone, Beauchamp knew that:

17           a. Chittick had failed to follow the lending procedures called for by  
18 the Receipt and Mortgage document Beauchamp had approved in 2007. That  
19 document called for DenSco's borrower to present a "check payable to \_\_\_\_\_  
20 ('Trustee')" to the Trustee. It was evident from the demand letter that DenSco  
21 had not done so. DenSco could not have issued 52 checks payable to Trustees,  
22 since the letter asserted that the Lenders had issued checks to the Trustees when  
23 they acquired those 52 properties. (*See* Beauchamp Dep. Exhibit 142 at  
24 CH\_000829-830, attached as **SOF Ex. 86**).

25           b. DenSco's borrowers, Arizona Home Foreclosures and Easy  
26 Investments – which were both owned by Menaged – had obtained 52 loans from  
27 the Lenders and 52 loans from DenSco, that were to be secured by the same 52  
28 properties. If, as the Lenders claimed, they had actually paid a Trustee for each

1 property, DenSco had effectively made 52 unsecured loans and the disposition  
2 of those monies was unknown.

3 c. The potential financial impact on DenSco was substantial.  
4 Beauchamp knew from the 2011 POM that DenSco's average loan amount was  
5 \$116,000, so that DenSco's potential losses from the 52 loans, if the loan  
6 proceeds could not be traced and recovered, was \$6 million or more, or  
7 approximately 13% of the \$47 million that Beauchamp understood DenSco had  
8 raised from investors as of June 2013. (See Fenix Financial expert report at  
9 pp. 2-10, attached to Motion for Determination of Prima Facie Case as Exhibit  
10 B; Beauchamp Dep. Exhibit 432, attached as **SOF Ex. 2**).

11 173. Beauchamp could have easily conducted a limited investigation to  
12 evaluate the claims in the demand letter that the Lenders were in first position on each  
13 of the 52 properties, or to assess the information he had received during his telephone  
14 call with Chittick that "a guy working in [Menaged's] office . . . was getting 2 loans  
15 on each property." (See Beauchamp Dep. Exhibit 142, attached as **SOF Ex. 86**).

16 174. Beauchamp could have done so by searching for publicly recorded  
17 documents that were identified in the two subordination agreements attached to the  
18 demand letter. (See Beauchamp Dep. Exhibit 142, at CH\_0000834 -848, attached as  
19 **SOF Ex. 86**).

20 a. The first of those subordination agreements identified, by  
21 reference to the instrument number assigned by the Maricopa County Recorder  
22 (2013-0832534), the Mortgage DenSco had recorded on September 16, 2013 on  
23 the property at issue. The subordination agreement also identified, by reference  
24 to a recorded instrument number (2013-0833010), the deed of trust that Sell  
25 Wholesale Funding, LLC had recorded on September 16, 2013 for the same  
26 property. (See Schenck Dep. Exhibit 28, attached as **SOF Ex. 88**).

1           b.     In January 2014, the Maricopa County Recorder's Office had a  
2 free "Recorded Document Search" function. The same tool is available today.  
3 (See generally <https://recorder.maricopa.gov/recdocdata/> )

4           c.     If Beauchamp had used that tool, two brief searches would have  
5 shown that the DenSco Mortgage (2013-0832534) was signed by Menaged  
6 before a notary on September 16, 2013, and that Menaged also signed the Sell  
7 Wholesale Funding deed of trust (2013-0833010) before a notary on  
8 September 16, 2013. Those searches would also have identified the property in  
9 question as 977 S. Colonial Drive in Gilbert, Arizona. (See Schenck Dep. Exhibit  
10 29, attached as **SOF Ex. 89**).

11           Those two documents show that Menaged, not "a guy working in his  
12 office," had secured both loans. (See Schenck Dep. Exhibit 28, attached as **SOF**  
13 **Ex. 88**; Schenck Dep. Exhibit 29, attached as **SOF Ex. 89**; Beauchamp Dep.  
14 Exhibit 143, attached as **SOF Ex. 87**; Beauchamp Dep. Transcript at pp. 320:3-  
15 322:8, attached as **SOF Ex. 6**).

16           d.     The second of the subordination agreements attached to the  
17 demand letter identified, by reference to a recorded instrument number (2013-  
18 0717135), the Mortgage DenSco had recorded on August 6, 2013 on the property  
19 at issue. The subordination agreement also identified, by reference to a recorded  
20 instrument number (2013-0721399), the deed of trust that Geared Equity, LLC  
21 had recorded on August 7, 2013 for the same property. (See Beauchamp Dep.  
22 Exhibit 142, attached as **SOF Ex. 86**; see also Geared Equity Deed of Trust at  
23 RECEIVER\_001117, attached as **SOF Ex. 90**).

24           e.     If Beauchamp had used the Recorded Document Search tool, two  
25 brief searches would have shown that the DenSco Mortgage (2013-0717135)  
26 was signed by Menaged before a notary on August 6, 2013, and that Menaged  
27 also signed the Sell Wholesale Funding deed of trust (2013-0721399) before a  
28

1 notary on August 6, 2013. Those searches would have identified the property in  
2 question as 39817 Messner Way in Anthem, Arizona.

3 (See <https://recorder.maricopa.gov/recdocdata/>)

4 f. Those two documents show that Menaged, not “a guy working in  
5 his office”, had secured both loans. (See Beauchamp Dep. Exhibit 143, attached  
6 as **SOF Ex. 87**).

7 175. As for the remaining 49 properties on Exhibit A to the demand letter,  
8 Beauchamp could have, either by himself, or through a paralegal, quickly discovered  
9 that in each case, Menaged, and not “a guy working in his office,” had signed the  
10 documents at issue. (See Beauchamp Dep. Exhibit 142, attached as **SOF Ex. 86**;  
11 Beauchamp Dep. Exhibit 143, attached as **SOF Ex. 87**).

12 a. This could have been done by using a free search function on the  
13 Maricopa County Assessor’s Office website that allows anyone to search for  
14 property records using a street address (such as those given in Exhibit A to the  
15 demand letter), or other means of customary due diligence. The Assessor’s  
16 website provides a link to a recorded instrument on the Maricopa County  
17 Recorder’s Office website for each property, and that information could have in  
18 turn been used to quickly locate both the deed of trust recorded by the Lenders  
19 and DenSco’s competing Mortgage by using the Recorded Document Search  
20 tool. (See <https://recorder.maricopa.gov/recdocdata/>)

21 b. Such a search, which would take less than five minutes for each  
22 property, would produce records showing that for each of the 49 properties,  
23 Menaged had signed both a DenSco Mortgage and another lender’s deed of trust  
24 before a notary, providing further evidence that Menaged, not “some guy  
25 working in his office,” had secured all of the loans in question, and had  
26 purposefully defrauded DenSco. (See Beauchamp Dep. Exhibit 143, attached as  
27 **SOF Ex. 87**; See also <https://recorder.maricopa.gov/recdocdata/>)

1                   c.     **On January 7, 2014, Clark Hill Received an Email From**  
2                             **Chittick in Which He Admitted That He Had Grossly**  
3                             **Mismanaged DenSco's Loan Portfolio, Failed to**  
4                             **Comply With the Lending Practices Disclosed in the**  
                              **2011 POM, and Caused DenSco to Suffer Substantial**  
                              **Losses.**

5           176.   On Tuesday, January 7, 2014, Beauchamp received an email from  
6           Chittick, copied to Menaged, which contained information relevant to the demand letter  
7           and said that Chittick was bringing Menaged to the planned January 9, 2014 meeting.  
8           (See Beauchamp Dep. Exhibit 144, attached as **SOF Ex. 91**).

9           177.   Chittick's email said that DenSco had, since 2007, loaned \$50 million to  
10          "a few different LLC's" controlled by Menaged. Beauchamp knew or should have  
11          known that those companies included the two entities identified in the demand letter:  
12          Easy Investments (a defendant in the June 2013 *Freo* lawsuit) and Arizona Home  
13          Foreclosures. (See Beauchamp Dep. Exhibit 144 at CH\_0005916, attached as **SOF Ex.**  
14          **91**).

15          178.   Chittick's email said that "[b]ecause of our long term relationship, *when*  
16          *[Menaged] needed money, [I] would wire the money to his account and he would pay*  
17          *the trustee*" (emphasis added), Menaged would sign a Mortgage that referenced the  
18          payment to the trustee, and Chittick would cause the Mortgage to be recorded. (See  
19          Beauchamp Dep. Exhibit 144 at CH\_0005917, attached as **SOF Ex. 91**).

20          179.   Chittick attached to his email a form of Mortgage, Deed of Trust, and  
21          Note Secured by Deed of Trust that he routinely used in making loans to Menaged,  
22          which Chittick described as "docs you have reviewed and have been reviewed by a guy  
23          at your last law firm, maybe two firms ago in 2007." (*Id.*)

24          180.   Chittick's email confirmed what was evident from the demand letter, and  
25          brought home the red flags Beauchamp had missed when he prepared the 2011 POM  
26          and when he reviewed the *Freo* lawsuit six months earlier:

27               a.     Chittick had been grossly negligent in managing DenSco's loan  
28               portfolio, by not complying with the terms of the Mortgage, which called for

1 DenSco to issue a check payable to the Trustee, and instead wiring money to  
2 Menaged, trusting Menaged to actually use those funds to pay a Trustee.

3 b. Chittick's admitted practice of giving DenSco's funds directly to  
4 Menaged, rather than paying them directly to a Trustee through a check made  
5 payable to the Trustee, made the statements in the 2011 POM about DenSco's  
6 lending practices materially misleading.

7 (See Beauchamp Dep. Exhibit 142, attached as **SOF Ex. 86**; Beauchamp Dep. Exhibit  
8 144, attached as **SOF Ex. 91**).

9 181. Chittick's reference to "docs you have reviewed and have been reviewed  
10 by a guy at your last law firm, maybe two firms ago in 2007" suggested that Chittick  
11 might blame Beauchamp for the problems DenSco now faced because of DenSco's use  
12 of those documents. (See Beauchamp Dep. Exhibit 144 at CH\_0005917, attached as  
13 **SOF Ex. 91**).

14 182. Chittick's email went on to say that Menaged had told him in November  
15 2013 that DenSco had been defrauded by Menaged's "cousin," who allegedly worked  
16 with Menaged in managing Easy Investments and Arizona Home Foreclosures.  
17 Menaged claimed that his "cousin" had "receiv[ed] the funds from [DenSco], then  
18 request[ed] them from . . . other lenders [who] cut a cashiers check for the agreed upon  
19 loan amount . . . [took] it to the trustee and . . . then record[ed] a [deed of trust]  
20 immediately." (See Beauchamp Dep. Exhibit 144 at CH\_0005918, attached as **SOF Ex.**  
21 **91**).

22 183. Chittick explained that "sometimes" DenSco had recorded its mortgage  
23 before another lender's deed of trust was recorded, but in other cases it had not. (*Id.*)

24 184. According to Chittick, "[t]he cousin absconded with the funds.  
25 [Menaged] figured this out in mid November. He came to me and told me what was  
26 happening. He said he talked to the other lenders and they agreed that this was a mess,  
27 and as long as they got their interest and were being paid off they wouldn't foreclose,  
28 sue or anything else." (*Id.*)

1           185. Chittick went on to describe the “plan” that he and Menaged had been  
2           executing since November: to “sell off the properties and pay off both liens with  
3           interest and make everyone whole.” He acknowledged that there were “short falls” on  
4           each property, representing the difference between the value of the property and the  
5           combined amount of the two loans, and that “[c]oming up with the short fall on all these  
6           houses is a challenge, but we believe it is doable. Our plan is a combination of injecting  
7           capital and extending cheaper money.” (See Beauchamp Dep. Exhibit 144 at  
8           CH\_0005918-19, attached as **SOF Ex. 91**).

9           186. Chittick described the basic terms of the agreement with the “other  
10          lenders” as including the following: (1) “all lenders will be paid their interest, except  
11          [DenSco], I’m allowing [its] interest to accrue”; and (2) DenSco is “extending  
12          [Menaged] a million dollars against a home at 3%.” (See Beauchamp Dep. Exhibit 144  
13          at CH\_0005918, attached as **SOF Ex. 91**).

14          187. Chittick claimed that he and Menaged had “already cleared up about 10%  
15          of the total \$’s in question” with the “other lenders.” (See Beauchamp Dep. Exhibit 144  
16          at CH\_0005919, attached as **SOF Ex. 91**).

17          188. As for the “gentleman who handed me the paperwork” – a reference to a  
18          person affiliated with one of the three entities identified in the demand letter – Chittick  
19          wrote that he “believes because he physically paid the trustee that he is in first position,  
20          but agrees it’s messy. [H]e wants me to subordinate to him, no matter who recorded  
21          first. [W]e have paid off one of his loans, you’ll see on this list Pratt – paid in full, I’ve  
22          attached the hud-1 and you can see that it shows me in first position versus his belief.  
23          [N]ow that’s one title agent[’]s opinion, [I] understand that’s not settling [a] legal  
24          dispute on who’s in first or second.” (*Id.*)

25          189. Chittick went on to state: ***“I know that [I] can’t sign the subordination***  
26          ***[agreement] because that goes against everything that [I] tell [DenSco’s] investors.”***  
27          (Emphasis added.) (See Beauchamp Dep. Exhibit 144 at CH\_0005920, attached as **SOF**  
28          **Ex. 91**).

1           190. He also wrote that “there are several other lenders waiting to see what [I]  
2 do[.] [I]f I sign with this group, they want to have me sign for them too.” (*Id.*)

3           191. Chittick concluded his email by stating “[w]hat we need is an agreement  
4 that as long as the other lenders are being paid their interest and payoffs continue to  
5 come . . . that no one initiates foreclosure for obvious reasons, which will give us time  
6 to execute our plan.” (*Id.*)

7                                   **d. On January 7 and 8, 2014, Beauchamp Reviewed the**  
8                                   **Demand Letter and Chittick’s January 6, 2014 Email,**  
9                                   **Including a Review of “Lien Dispute Information.”**

10           192. Clark Hill’s billing records reflect that Beauchamp billed 1.8 hours on  
11 January 7, 2014 to “[r]eview legislative history for purchase money security interest;  
12 review documents and follow-up information” and “telephone conversation with office  
13 of D. Chittick,” which was a reference to having left a voicemail message for Chittick.  
(*See* Schenck Dep. Exhibit 6 at CH\_0002313, attached as **SOF Ex. 20**).

14           193. Clark Hill’s billing records reflect that Beauchamp billed 1.7 hours on  
15 January 8, 2014 to “[r]eview information from D. Chittick; review and outline follow-  
16 up questions; prepare for meeting; review lien dispute information.” (*Id.*)

17           194. As of January 8, 2014, Beauchamp knew that:

18                   a. Chittick had breached fiduciary duties he owed DenSco by causing  
19 it to sell promissory notes to investors during the four months that had passed  
20 since DenSco’s September 2013 retention of Clark Hill without first issuing the  
21 new POM that Clark Hill had been retained to prepare, but had not prepared at  
22 Chittick’s instruction;

23                   b. Chittick had breached fiduciary duties he owed DenSco through  
24 grossly negligent lending practices;

25                   c. the scope of DenSco’s financial exposure was greater than the 52  
26 properties identified in the demand letter, since it included the “other lenders”  
27 with whom Menaged had reached an informal agreement in November 2013;  
28



1 (See Fenix Financial expert report at pp. 2-10, attached to Motion for  
2 Determination of Prima Facie Case as an Exhibit B).

3 d. Investors who had purchased promissory notes since Clark Hill's  
4 September 2013 retention had not been told of the *Freo* lawsuit; DenSco's  
5 grossly deficient lending practices; DenSco's concentration of loans made to one  
6 borrower, Menaged; DenSco's November 2013 discovery of the fraud allegedly  
7 perpetrated by Menaged's "cousin"; and Chittick's plan to help Menaged by  
8 "injecting capital" to pay off the loans of other lenders on properties that  
9 Menaged's companies had allegedly purchased with DenSco's funds, allowing  
10 interest on DenSco's loans to accrue, and lending Menaged \$1 million at 3%  
11 interest.

12 e. Chittick was unwilling to cause DenSco to accept the losses his  
13 gross negligence had caused by signing the subordination agreements attached  
14 to the demand letter, "because that goes against everything that [he] tell[s]  
15 [DenSco's] investors," or to make any disclosure to DenSco's investors while  
16 he and Menaged pursued their plan.

17 (See Beauchamp Dep. Exhibit 144, attached as **SOF Ex. 91**; Beauchamp Dep. Exhibit  
18 142, attached as **SOF Ex. 86**; Beauchamp Dep. Exhibit 143 attached as **SOF Ex. 87**;  
19 Schenck Dep. Exhibit 6 at CH\_0002313, attached as **SOF Ex. 20**).

20 195. Beauchamp also knew from his January 6 review of the demand letter and  
21 the hours he had devoted on January 7 and 8 to analyzing Chittick's email and other  
22 information he had received from Chittick, that Menaged's "cousin" story was  
23 implausible and that by accepting the story without investigation and planning to  
24 continue DenSco's lending relationship with Menaged, Chittick was breaching his  
25 fiduciary duties to DenSco. (See Schenck Dep. Exhibit 6 at CH\_0002313, attached as  
26 **SOF Ex. 20**; Beauchamp Dep. Exhibit 142, attached as **SOF Ex. 86**).

27 196. In addition to the information provided in the subordination agreements  
28 and the list of the other 52 properties identified in the demand letter, Beauchamp should

1 have also reviewed the information attached to Chittick's January 6, 2014 email  
2 regarding a loan for which Chittick claimed DenSco was in first position. (*See*  
3 Beauchamp Dep. Exhibit 142 at CH\_0000829-830, attached as **SOF Ex. 86**;  
4 Beauchamp Dep. Exhibit 144, attached as **SOF Ex. 91**).

5 197. If Beauchamp had used the information in the settlement statement  
6 attached to Chittick's email to investigate Chittick's claim that DenSco was in first  
7 position with respect to the "Pratt" property, he could have used the Recorded  
8 Document Search tool on the website maintained by Maricopa County Recorder's  
9 Office. (*See* Beauchamp Dep. Exhibit 144, attached as **SOF Ex. 91**).

10 198. A few brief searches would have confirmed Chittick's claim that DenSco  
11 was the first to record: DenSco's Mortgage was recorded on September 17, 2013 as  
12 instrument number 2013-0837513, while Geared Equity's deed of trust was recorded  
13 on September 19, 2013 as instrument number 2013-0842640. (*See* Schenck Dep.  
14 Exhibit 29 attached as **SOF Ex. 89**; Geared Equity Deed of Trust at  
15 RECEIVER\_001117, attached as **SOF Ex. 90**).

16 199. But those two documents would also have shown that Menaged signed  
17 each document before a notary on September 17, 2013, making clear that Menaged, not  
18 his "cousin," had secured both loans. (*See* Schenck Dep. Exhibit 29, attached as **SOF**  
19 **Ex. 89**; Geared Equity Deed of Trust at RECEIVER\_001122, attached as **SOF Ex. 90**).

20 200. Moreover, because the demand letter claimed that Geared Equity had  
21 delivered funds to the Trustee, and Chittick had admitted he had not, the question  
22 remained as to where DenSco's funds had gone and whether they could be recovered.  
23 (*See* Beauchamp Dep. Exhibit 142, attached as **SOF Ex. 86**; Beauchamp Dep. Exhibit  
24 144, attached as **SOF Ex. 91**).

1                   **2.     Clark Hill Failed to Properly Advise DenSco.**

2                   **a.     After Receiving the Demand Letter and Chittick's**  
3                   **January 6 Email, Beauchamp Should Have Insisted on**  
4                   **Meeting with Chittick Alone So That He Could Advise**  
5                   **Chittick of the Actions He Was Required to Take to**  
6                   **Protect DenSco From Further Harm, But Beauchamp**  
7                   **Failed to Do So.**

8                   201.   Beauchamp, as DenSco's attorney, should have recognized that he had an  
9                   obligation to meet privately with Chittick, without Menaged present, to confirm  
10                  relevant facts, and advise Chittick, as DenSco's President, of the actions DenSco  
11                  needed to take and the consequences to DenSco if it failed to do so. (*See* Neil Wertlieb  
12                  expert report at pp. 40; 55; 62-63, attached to Motion for Determination of Prima Facie  
13                  Case.

14                  202.   While the specific actions Beauchamp should have taken on January 8,  
15                  2014 is the subject of expert testimony, which will be disclosed in accordance with the  
16                  scheduling order that has been entered in this case, the Receiver anticipates that those  
17                  actions would have included the following:

18                  a.     Telling Chittick he should not bring Menaged to their scheduled  
19                  January 9, 2014 meeting;

20                  b.     Telling Chittick that DenSco's sale of promissory notes since  
21                  July 1, 2013 to investors exposed DenSco and Chittick to civil and criminal  
22                  liability;

23                  c.     Telling Chittick that DenSco should not have sold any notes  
24                  without first issuing a new POM and should not use the proceeds of sales made  
25                  since July 1, 2013 until the investors who bought those notes had been given a  
26                  new POM and afforded an opportunity to rescind those transactions;

27                  d.     Telling Chittick that DenSco could not sell any new promissory  
28                  notes until Clark Hill was able to conduct an adequate investigation of DenSco's  
                  lending practices and other material information and a new POM had been  
                  issued;

1 e. Telling Chittick that DenSco should immediately cease doing  
2 business with Menaged based on the implausibility of the “cousin” story and the  
3 readily available public records discussed above;

4 f. Telling Chittick that, at a minimum, DenSco should not have any  
5 further business dealings with Menaged until it had investigated the true facts of  
6 the alleged fraud by Menaged’s “cousin”;

7 g. Telling Chittick that after discovering the true facts about  
8 Menaged’s dealings with DenSco (whether through a review of public records  
9 or some other investigation), DenSco should rescind all lending agreements it  
10 had made with Menaged since November 2013 on the grounds of fraud in the  
11 inducement, and seek to enforce its remedies for all other loans that Menaged  
12 had obtained through fraud; and

13 h. Telling Chittick that DenSco had to assess the impact of the fraud  
14 on DenSco’s financial position, and if that assessment resulted in a finding that  
15 DenSco was insolvent, DenSco had to consider duties owed to its investors and  
16 other creditors in making all business decisions.<sup>3</sup>

17 i. Telling Chittick that, at a minimum, DenSco should not have any  
18 further business dealings with Menaged until it had investigated the true facts of  
19 the alleged fraud by Menaged’s “cousin”;

20 j. Telling Chittick that after discovering the true facts about  
21 Menaged’s dealings with DenSco (whether through a review of public records  
22 or some other investigation), DenSco should rescind all lending agreements it  
23 had made with Menaged since November 2013 on the grounds of fraud in the  
24 inducement, and seek to enforce its remedies for all other loans that Menaged  
25 had obtained through fraud; and

---

26  
27 <sup>3</sup> DenSco was indisputably insolvent in January 2014, as Chittick’s statements  
28 to Beauchamp at the time made clear and as the Receiver was able to determine after  
reviewing DenSco’s QuickBooks records.

1           k.       Telling Chittick that DenSco had to assess the impact of the fraud  
2           on DenSco's financial position, and if that assessment resulted in a finding that  
3           DenSco was insolvent, DenSco had to consider duties owed to its investors and  
4           other creditors in making all business decisions.

5           (See Neil Wertlieb expert report at pp. 57-67, attached to Motion for Determination of  
6           Prima Facie Case.

7           203.   This advice should have been documented in writing.

8           204.   If Chittick declined to follow the advice, Beauchamp should have  
9           threatened to withdraw from representing DenSco, which may have caused Chittick to  
10          relent and follow the advice. See Neil Wertlieb expert report at pg. 67 attached to  
11          Motion for Determination of Prima Facie Case.

12          205.   Beauchamp did not tell Chittick he should not bring Menaged to the  
13          planned January 9, 2014 meeting and did not give the advice described above. (See Neil  
14          Wertlieb expert report at pp. 40; 55; 62-63, attached to Motion for Determination of  
15          Prima Facie Case.

16          206.   The Receiver intends to offer evidence at trial establishing that if  
17          Beauchamp had taken these actions, Chittick would have caused DenSco to follow that  
18          advice. (See Schenck Dep. Exhibit 4 at pg. 4, ln. 17-21, attached as **SOF Ex. 5**; Neil  
19          Wertlieb expert report attached to Motion for Determination of Prima Facie Case.

20          207.   Evidence of Chittick's long professional relationship with Beauchamp  
21          and numerous instances of Chittick following Beauchamp's legal advice establish that  
22          if Beauchamp had properly advised DenSco during the first week of January 2014,  
23          Chittick would have caused DenSco to: (i) stop selling promissory notes; (ii) terminate  
24          its relationship with Menaged and his companies; (iii) pursue its remedies against  
25          Menaged and his companies; and (iv) explore whether DenSco could survive as a going  
26          concern or would have to liquidate. Such evidence includes:

27               a.       Clark Hill and Beauchamp's admission in their initial disclosure  
28               statement (at 4), that "[o]ver the years, Mr. Chittick showed himself to be a

1 trustworthy and savvy businessman, and a good client. . . . Despite complaining  
2 about the cost of legal services, Mr. Chittick appeared to follow Mr.  
3 Beauchamp's advice and provided information when asked for it." (See Schenck  
4 Dep. Exhibit 4 at pg. 4, ln. 17-25, attached as **SOF Ex. 5**).

5 b. Moreover, only six months earlier, DenSco had immediately  
6 followed Bryan Cave's June 2013 advice to modify its website, and Bryan  
7 Cave's files reflect that Chittick was prepared to cause DenSco to refund all  
8 investor loans if that was necessary to correct the "general solicitation" problem  
9 Bryan Cave had identified. (See Beauchamp Dep. Exhibit 128, attached as **SOF**  
10 **Ex. 65**; Beauchamp Dep. Exhibit 117, attached as **SOF Ex. 59**; Beauchamp Dep.  
11 Exhibit 116, attached as **SOF Ex. 58**; Beauchamp Dep. Exhibit 115, attached as  
12 **SOF Ex. 3**; Beauchamp Dep. Exhibit 114, attached as **SOF Ex. 57**).

13 **3. During the January 9, 2014 Meeting with Chittick and**  
14 **Menaged, Beauchamp Learned That DenSco Faced an Even**  
15 **Larger Financial Exposure as a Result of Chittick's**  
16 **Mismanagement Than the Exposure Presented by the**  
**Demand Letter, And Chittick Wanted to Try to Cover Up His**  
**Mismanagement By Pursuing a "Work Out" Plan With**  
**Menaged.**

17 208. Clark Hill's billing records reflect that Beauchamp billed 4.3 hours on  
18 January 9, 2014 to "[p]repare for and meeting with D. Chittick and S. Menages [sic];  
19 review and work on notes from meeting and outline follow-up; review and respond to  
20 several emails; review documents and information." (See Schenck Dep. Exhibit 6 at pg.  
21 CH\_0002313, attached as **SOF Ex. 20**).

22 209. Beauchamp's notes from the January 9, 2014 meeting reflect that Chittick  
23 and Menaged confirmed that DenSco faced exposure from both the Lienholders  
24 identified in the January 6, 2014 demand letter and other lenders, including Active  
25 Funding Group. (See Beauchamp Dep. Exhibit 145, attached as **SOF Ex. 92**).

26 210. According to Beauchamp's notes, the number of loans made by DenSco  
27 that were not in first position and were either unsecured or under-secured was between  
28

1 100 and 125. Based on that information and the 2011 POM's average loan amount of  
2 \$116,000, Beauchamp knew or should have known that DenSco's loans to Menaged  
3 represented a potential loss of between \$11.6 and \$14.5 million, or between 25% and  
4 30% of the \$47 million that Beauchamp understood DenSco had raised as of June 2013.  
5 (*Id.*)

6 211. Beauchamp's notes from the January 9, 2014 meeting also reflect that  
7 Chittick did not know what had happened to as much as \$14.5 million that DenSco had  
8 loaned to Menaged, and that Chittick was not taking any meaningful steps to investigate  
9 the loss and seek to recover those funds. The notes state: "What happened to the  
10 money? -- Will pursue something or his cousin a but trying to determine where the  
11 money has gone." (*Id.*)

12 212. Beauchamp's notes from the January 9, 2014 meeting also reflect that,  
13 although the money DenSco previously loaned Menaged was missing and Chittick had  
14 taken no steps to investigate the circumstances under which the loan losses had occurred  
15 and their impact on DenSco, Chittick and Menaged had agreed to pursue a "work out"  
16 of the loan losses caused by Chittick's gross mismanagement of DenSco's lending  
17 practices. (*Id.*)

18 **4. After the January 9, 2014 Meeting, Clark Hill Helped Chittick**  
19 **Breach Fiduciary Duties He Owed to DenSco and Negligently**  
20 **Advised DenSco About the Practices It Should Follow in**  
**Continuing to Loan Money to Menaged.**

21 213. After the January 9, 2014 meeting, Clark Hill helped Chittick breach  
22 fiduciary duties he owed DenSco by negotiating a "Forbearance Agreement" that was  
23 not in DenSco's interest and was instead intended to cover up Chittick's  
24 mismanagement of DenSco's lending practices and protect Chittick from potential  
25 claims by DenSco's investors. (*See* Beauchamp Dep. Exhibit 168, attached as **SOF Ex.**  
26 **93**; Beauchamp Dep. Exhibit 360, attached as **SOF Ex. 94**; Beauchamp Dep. Exhibit  
27 361, attached as **SOF Ex. 95**; Beauchamp Dep. Exhibit 362, attached as **SOF Ex. 96**;  
28

1 Beauchamp Dep. Exhibit 363, attached as **SOF Ex. 97**; Beauchamp Dep. Exhibit 364,  
2 attached as **SOF Ex. 98**).

3 214. Clark Hill also helped Chittick breach fiduciary duties by advising  
4 Chittick that DenSco could continue to raise money from investors while Chittick was  
5 implementing his “work out” plan, and that DenSco could indefinitely delay issuing a  
6 new POM until Chittick felt comfortable doing so. (*See* Beauchamp Dep. Exhibit 350,  
7 attached as **SOF Ex. 81**; Beauchamp Dep. Exhibit 168, attached as **SOF Ex. 93**;  
8 Beauchamp Dep. Transcript at pp. 405:5- 408:9, attached as **SOF Ex. 6**).

9 215. These actions served Chittick’s interests, who hoped to “fix” the problem  
10 created by his mismanagement and delay telling his investors about the problem until  
11 he had minimized the financial harm and delay or avoid making disclosures to  
12 DenSco’s investors about the Forbearance Agreement and how it came to be put in  
13 place. (*See* Neil Wertlieb expert report attached to Motion for Determination of Prima  
14 Facie Case.

15 216. Clark Hill and Beauchamp, on the other hand, having failed to properly  
16 advise Chittick in September 2013 that it could not sell promissory notes without first  
17 issuing a new POM, and having agreed with Chittick to indefinitely delay work on the  
18 POM, similarly saw the Forbearance Agreement as an opportunity to cover up their  
19 negligence and potentially mitigate their exposure. (*See* Beauchamp Dep. Exhibit 360,  
20 attached as **SOF Ex. 94**; Beauchamp Dep. Exhibit 361, attached as **SOF Ex. 95**;  
21 Beauchamp Dep. Exhibit 362, attached as **SOF Ex. 96**; Beauchamp Dep. Exhibit 363,  
22 attached as **SOF Ex. 97**; Beauchamp Dep. Exhibit 364, attached as **SOF Ex. 98**;  
23 Beauchamp Dep. Exhibit 350, attached as **SOF Ex. 81**; Beauchamp Dep. Transcript at  
24 pp. 405:5-408:9, attached as **SOF Ex. 6**).

25 217. At the same time that it was drafting the Forbearance Agreement, which  
26 obligated DenSco to continue loaning money to Menaged, Clark Hill failed to properly  
27 advise DenSco about how the loans should be made. (*See* Neil Wertlieb expert report  
28 at pp. 13-19, attached to Motion for Determination of Prima Facie Case .



1                   **5. Clark Hill Aided and Abetted Chittick's Breach of Fiduciary**  
2                   **Duties Owed DenSco by Negotiating and Documenting a**  
3                   **Forbearance Agreement Between January and April 2014**  
4                   **That Was Not in DenSco's Interests and Was Intended by**  
5                   **Clark Hill to Cover Up Chittick's Mismanagement of**  
6                   **DenSco's Lending Practices and Protect Chittick From**  
7                   **Claims by DenSco's Investors.**

8                   218. On January 10, 2014, Beauchamp opened a "new matter" for DenSco in  
9                   Clark Hill's accounting and filing systems that was called "work-out of lien issue" to  
10                  enable and implement the "work out" plan Chittick and Menaged had developed.<sup>4</sup> (*See*  
11                  Schenck Dep. Exhibit 6 at CH\_0002312, attached as **SOF Ex. 20**; Beauchamp Dep.  
12                  Transcript at pp. 405:5-408:9, attached as **SOF Ex. 6**).

13                  219. Over the next three months, Beauchamp helped negotiate and finalize a  
14                  Forbearance Agreement that was not in DenSco's interests and was, as Beauchamp said  
15                  multiple times in writing, intended to protect Chittick from potential claims by his  
16                  investors by making it appear that the loan losses DenSco faced were caused by  
17                  Menaged, rather than by Chittick's gross mismanagement of DenSco's lending  
18                  practices, and that Chittick had taken appropriate steps to protect DenSco's interests.  
19                  (*See* Beauchamp Dep. Exhibit 168 attached as **SOF Ex. 93**; Schenck Dep. Exhibit 97,  
20                  attached as **SOF Ex. 99**; Beauchamp Dep. Transcript at pp. 373:21-376:8, attached as  
21                  **SOF Ex. 6**).

22                                   **a. In January 2014, Beauchamp Negotiated the Terms of**  
23                                   **a Nondisclosure Agreement and Term Sheet.**

24                  220. During the week of January 12, 2014, Beauchamp prepared a  
25                  nondisclosure agreement and a term sheet. Beauchamp negotiated with Menaged's  
26                  attorney, Jeff Goulder, over the term sheet. (*See* Schenck Dep. Exhibit 43, attached as  
27                  **SOF Ex. 100**; Schenck Dep. Exhibit 45, attached as **SOF Ex. 101**; Schenck Dep.  
28                  Exhibit 40 at DIC0007013, attached as **SOF Ex. 102**; Schenck Dep. Exhibit 39,

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<sup>4</sup> A few days later, on January 14, 2014, Beauchamp opened a "new matter" for DenSco in Clark Hill's accounting and file systems that was called "business matters."

1 attached as **SOF Ex. 103**; Beauchamp Dep. Exhibit 422 at pg. 10, ln. 7-16, attached as  
2 **SOF Ex. 67**).

3 221. Beauchamp also communicated with Bryan Cave attorney Bob Miller,  
4 who withdrew from representing his clients on January 16, 2014 because of a conflict  
5 issue raised by Beauchamp and the scope of the consent DenSco would give Bryan  
6 Cave. (*See* Schenck Dep. Exhibit 44, attached as **SOF Ex. 104**).

7 222. Chittick (for DenSco) and Menaged signed the nondisclosure agreement  
8 and term sheet on Friday, January 17, 2014. The term sheet contemplated that DenSco  
9 would advance additional funds to Menaged, some of which would be used to pay off  
10 (by February 28, 2014) the loans held by the lenders represented by Bryan Cave. The  
11 term sheet also outlined the elements of a Forbearance Agreement and a process to  
12 resolve the claims of the other competing lenders. (*See* Beauchamp Dep. Exhibit 192  
13 at DIC0007522 and DIC0007525, attached as **SOF Ex. 105**).

14 **b. During February 2014, Beauchamp Negotiated the**  
15 **Terms of the Forbearance Agreement With Menaged's**  
16 **Counsel, Repeatedly Stating That the Agreement Was**  
**Needed to Protect Chittick's, Rather Than DenSco's**  
**Interests.**

17 223. During the first week of February, Beauchamp began negotiating with  
18 Goulder over the terms of a Forbearance Agreement. (*See* Schenck Dep. Exhibit 70,  
19 attached as **SOF Ex. 106**).

20 224. It is evident from Beauchamp's communications with Chittick and  
21 Goulder during February 2014 that Clark Hill was looking out for Chittick's interests,  
22 rather than the interests of DenSco and its investors. (*See* Schenck Dep. Exhibit 70,  
23 attached as **SOF Ex. 106**; Beauchamp Dep. Exhibit 168, attached as **SOF Ex. 93**;  
24 Beauchamp Dep. Exhibit 191, attached as **SOF Ex. 107**).

25 225. One example of Clark Hill's misplaced loyalty to Chittick is a February  
26 4, 2014 email that Beauchamp sent to Chittick, which said:

1           a.       “Before we all get into a room, you and I need to make sure we  
2       have a clear understanding of what you can do and what you cannot do without  
3       going to all of your investors for approval. We have a deal that works for you  
4       and your investors and is fair to [Menaged]. Now [Goulder] is trying to better  
5       the deal for [Menaged]. But you already have been more than generous trying  
6       to help [Menaged] out of [Menaged’s] problem. Again, *this goes back to*  
7       *[Goulder] not acknowledging that this is [Menaged’s] problem and instead*  
8       *insisting that this is your problem because you did not make sure that*  
9       *[Menaged] handled the loans properly and that you did not take the necessary*  
10       *actions so that DenSco had a first lien on each property. . . . [Goulder] is trying*  
11       *to have you think that you have significant responsibility for creating this*  
12       *problem as opposed to this being created by [Menaged’s] cousin working for*  
13       *[Menaged]. . . . [Goulder] is trying to make you feel that you are guilty so you*  
14       have to assume a significant responsibility in the agreement to share  
15       [Menaged’s] problem, but nobody stole the money from you. You can help and  
16       have helped [Menaged], but you cannot OBLIGATE DenSco to further help  
17       [Menaged], because that would breach your fiduciary duty to your investors.”  
18       (Emphasis added.) (See Beauchamp Dep. Exhibit 337, attached as **SOF Ex.**  
19       **108**).

20       226. And in an email Beauchamp sent to Goulder on Friday, February 7, 2014  
21       Beauchamp wrote: “*Based on your previous changes, the Forbearance Agreement*  
22       *would be prima facie evidence that Denny Chittick had committed securities fraud*  
23       *because the loan documents he had [Menaged] sign did not comply with DenSco’s*  
24       *representations to DenSco’s investors in its securities offering documents.*  
25       Unfortunately, this agreement needs to not only protect [Menaged] from having this  
26       agreement used as evidence of fraud against him in litigation, *the agreement needs to*  
27       comply with Denny’s fiduciary obligation to his investors as well as *not become*  
28       *evidence to be used against Denny for securities fraud. . . .* We wanted the document

1 to set forth the necessary facts for Denny to satisfy his securities obligations to his  
2 investors (including that the original loans had to have been written and secured by a  
3 first lien on real property and that the workout agreed to by Denny complied with his  
4 workout authorization) without having [Menaged] admit to facts that could cause  
5 trouble to him. . . .To try to balance the respective interests, I have inserted sections  
6 from the loan documents into the Forbearance Agreement. Referencing the language  
7 of the Loan Documents is needed to satisfy Denny's fiduciary obligations, but I have  
8 also modified the other provisions so that the Borrower is not admitting that it was  
9 required to provide first lien position in connection with the loans." (Emphasis added.)  
10 (See Schenck Dep. Exhibit 70 attached as **SOF Ex. 106**).

11 227. In an email exchange on Sunday, February 9, 2014 Beauchamp told  
12 Chittick "[p]lease understand that you are limited in what risk or liability you can  
13 assume. Your fiduciary duty to your investors makes this a difficult balancing act."  
14 (See Beauchamp Dep. Exhibit 345 at DIC0006703, attached as **SOF Ex. 109**).

15 228. Chittick's response was that he "trusts that we are in balance and I have  
16 even more confidence that [Menaged] and I can solve this problem without issue and  
17 we never have to use the document that we've worked so long on getting completed."  
18 (See Beauchamp Dep. Exhibit 345 at DIC0006702, attached as **SOF Ex. 109**).

19 229. Beauchamp responded: "Your point is understood. If possible, please  
20 recognize and understand that *you will 'use' the document even if you and [Menaged]*  
21 *never refer to it again. It has to have the necessary and essential terms to protect you*  
22 *from potential litigation from investors and third parties.*" (Emphasis added.) (*Id.*)

23 230. In his notes from a February 11, 2014 call with Chittick, which touched  
24 on the status of Chittick's and Menaged's plan to pay off loans on the double-escrowed  
25 properties, Beauchamp wrote "'Material Disclosure' – exceeds 10% of the overall  
26 portfolio." But in his discussions with Chittick about requests from Goulder for further  
27 concessions, including an agreement not to pursue civil claims for fraud, Beauchamp's  
28 focus was on protecting Chittick's interests, including protecting him from a potential

1 investor claim. (See Beauchamp Dep. Exhibit 347, attached as **SOF Ex. 110**;  
2 Beauchamp Dep. Exhibit 337, attached as **SOF Ex. 108**).

3 231. In a February 14, 2014 email to Chittick, Beauchamp wrote: “[Goulder]  
4 clearly thinks he can force you to agree to accept a watered down agreement and give  
5 up substantial rights that you should not have to give up. Unfortunately, it is not your  
6 money. It is your investors’ money. So you have a fiduciary duty. . . . **[Menaged] is**  
7 **the one responsible for this and not you.** (Emphasis added.) He failed to put out the  
8 proper protection systems in place so his cousin could not do what his cousin did. . . .  
9 **[Menaged’s] actions to comply with the terms of this agreement will have a big effect**  
10 **on whether or not you have to deal with a third party lawsuit filed against you in**  
11 **court.** (Emphasis added.) In this situation, you can have an action brought against you  
12 by any of the other lenders, and/or by any of your investors. . . . In addition, **you could**  
13 **also face an action by the SEC or by the Securities Division of the ACC if an investor**  
14 **is able to convince someone in a prosecutor’s office that you** somehow assisted  
15 [Menaged] to cover up this fraud or you **were guilty of gross negligence by failing to**  
16 **perform adequate due diligence (on behalf of your investors’ money) to determine**  
17 **what was going on.** . . . (Emphasis added.) [Y]our duty and obligation is not to be fair  
18 to [Menaged], but to completely protect the rights of your investors. I am sorry if  
19 [Menaged] is hurt through this, but [Menaged’s] hurt will give [Menaged] the necessary  
20 incentive to go after his cousin. Your job is to protect the money that your investors  
21 have loaned to DenSco.” (See Schenck Dep. Exhibit 75, at DIC0006804-6805, attached  
22 as **SOF Ex. 111**).

23 232. Beauchamp advised Chittick not to make any further concessions.  
24 Beauchamp then sought input from bankruptcy lawyers within Clark Hill about the  
25 risks DenSco faced if Chittick were to agree to the concessions Goulder sought with  
26 respect to a potential civil fraud claim. (See Schenck Dep. Exhibit 80, attached as **SOF**  
27 **Ex. 112**).

1           233. Chittick ultimately followed Beauchamp's advice, and the concessions  
2 sought by Goulder were not included in the final Forbearance Agreement. (*See*  
3 Beauchamp Dep. Exhibit 402, attached as **SOF Ex. 113**).

4           234. On February 20, 2014, Beauchamp met with Chittick, Menaged and  
5 Goulder to discuss the Forbearance Agreement. As Chittick described the meeting in  
6 the DenSco journal, Beauchamp and Goulder "were no better in person than they were  
7 in email. David lost his temper more than once. We went back and forth for 3 hours.  
8 We broke up and came together, finally we are down to one point about the release.  
9 The lawyers are trying to word it to make each other happy." (*See* Schenck Dep. Exhibit  
10 21 at RECEIVER\_000051, attached as **SOF Ex. 82**).

11           235. It appears from Chittick's February 20, 2014 entry in the 2014 Corporate  
12 Journal that this meeting was the first time Beauchamp learned of the full extent of  
13 DenSco's exposure to Menaged. Chittick wrote: "I told David the dollars today, he  
14 about shit a brick. I explained to him how I got there and how far we have come and  
15 how much better we are today then in November. Though I'm not sure he understands  
16 that. My balance sheet isn't looking much better, but it will start to swing in the right  
17 direction in the next 30 days. *I'm more concerned about telling my investors and their*  
18 *reaction to the problem. I have to tell them and hope they stick with me. If I get a run*  
19 *on the bank I'm in deep shit. I won't be able to fund new deals, I won't be able to*  
20 *payoff investors and won't be able to support [Menaged]. The whole thing crators."*  
21 (Emphasis added.) (*Id.*)

22           236. Beauchamp's notes from that day contain a summary of DenSco's  
23 exposure to Menaged. They state: "Approx. \$31 MM outstanding to [Menaged's]  
24 entities – total fund up to \$62-63 MM. Problem loans down to about \$17 MM for 122  
25 loans." (*See* Beauchamp Dep. Exhibit 352 at DIC0005446, attached as **SOF Ex. 114**).

26           237. Chittick's February 21, 2014 entry in the 2014 Corporate Journal has a  
27 consistent summary of the advice he received from Beauchamp: "I talked to Dave, he  
28 found out what we already suspected; there is no way we can give what [Menaged]

1 wants. I'm not sure where this will lead us. We talked about telling my investors; we  
2 are going to put that off as long as possible so that we can improve the situation as much  
3 as possible. We've got another 15 more that are closing next few weeks. We could be  
4 close to under a 100 problem loans within a month. I just have to keep telling myself  
5 I'm doing the right thing to fix it, no matter how much anxiety I have over this issue."  
6 (See Schenck Dep. Exhibit 21 at RECEIVER\_000051, attached as **SOF Ex. 82**).

7 238. During the last week of February 2014, discussions with Goulder on the  
8 Forbearance Agreement ended after Goulder sent Beauchamp a revised draft on  
9 February 25, 2014. (See Beauchamp Dep. Exhibit 361, attached as **SOF Ex. 95**).

10 239. Chittick sent Beauchamp an email that day describing his ongoing  
11 discussions with Menaged about taking a different approach to the double encumbrance  
12 problem by having DenSco advance additional monies to Menaged so that Menaged  
13 could sell homes more quickly: "[H]e's throwing out all sorts of ideas in how this can  
14 be done. [I] would be willing to release the UCC if he was able to secure the funds and  
15 use them to pay some of these loans. [W]e've got about 3 more ideas, *but what both*  
16 *of us are really concerned about is that when [I] tell my investors the situation, they*  
17 *request their money back. [I] want to be able to say, this was the problem, we've*  
18 *eliminated this much of the problem and this is what is left. [I] want to be able to say*  
19 *what is left is as small as possible.*" (Emphasis added.) (See Beauchamp Dep. Exhibit  
20 360 at DISC0006758, attached as **SOF Ex. 94**).

21 240. Beauchamp responded by saying "[g]ood ideas and probably something  
22 *we need to work on*" in light of the breakdown of discussions on the Forbearance  
23 Agreement. (Emphasis added.) (*Id.*)

24 241. Chittick sent Beauchamp an email the following day, February 26, 2014  
25 describing his continuing discussions with Menaged. He wrote: "[W]hat if [Menaged]  
26 just starts selling everything . . . . [I] take losses[.] [A]long with the several million that  
27 [Menaged's] going to bring in from outside sources, we wipe the whole thing out in,  
28 name a time frame, 90 days. [T]o secure the loss, [Menaged] signs a promissory note

1 with terms of repayment. [W]hat happens? [I] take a huge hit to my books, but [I] get  
2 the money back in my hands. [I]’m no longer in violation of anything with my  
3 investors. [I]’m in possession of money that now [I] can put to work with new loans  
4 that are actually paying me interest versus right now that [I]’m having no interest  
5 coming in. [O]r I can return the money to investors if I can’t put it to work. [F]rom a  
6 P/L standpoint it looks horrible, but at least [I] have the majority of the money back  
7 except maybe 2-4 million. [Menaged] agrees to pay me interest and principle [sic] back  
8 every month for whatever I write off[,] which fills in that hole. [I] put the money I get  
9 back to work and make money on it, that fills the hole. *[I] [would] rather take the loss  
10 short term now, and get working on trying to make the money work th[a]n drag this  
11 thing out over a year or more. . . . [I] don’t have anything in my docs that say I have  
12 to be profitable. [I] see this is a negative year obviously, but [I]’ll be profitable next  
13 year; the problem is gone[.]* [Menaged] will be paying me back interest and principle  
14 [sic] for the loss that I took. [N]ow I know there are 100 legal things here, *but now I’m  
15 thinking this is the best way to get the problem solved from a fiduciary standpoint. . . .*  
16 [I] know this may sound crazy, but [I] can’t come up with anything else that will bring  
17 an end to this situation quickly. [T]ime is crucial. [L]et me know your thoughts.”  
18 (Emphasis added.) (See Beauchamp Dep. Exhibit 362 at DIC0006687-6688, attached  
19 as **SOF Ex. 96**; Beauchamp Dep. Exhibit 363, attached as **SOF Ex. 97**).

20         242. Beauchamp’s email response was: “*Good ideas*. Can we talk later today  
21 to clarify a few things?” (Emphasis added.) Beauchamp also told Clark Hill attorney  
22 Bill Price, who emailed him to say that the release provision in Goulder’s latest draft of  
23 the Forbearance Agreement was unacceptable, that “[t]here is another possibility to  
24 resolve this,” on which Beauchamp would be focusing his attention. (See Beauchamp  
25 Dep. Exhibit 362 at DIC0006686, attached as **SOF Ex. 96**; Beauchamp Dep. Exhibit  
26 364 attached as **SOF Ex. 98**).

27         243. Chittick’s DenSco entry in the 2014 Corporate Journal for February 26,  
28 2014 contains a consistent summary of his discussions with Menaged and Beauchamp:



1 “We’ve decided it’s better to sell these properties as quickly as possible, take the losses  
2 and move on. [Menaged] will sign a promissory note, it frees up from paying interest,  
3 I take a big hit, . . . and we move on. *It will take me 2 years to get back to profitability*  
4 *I’m guessing. This may allow me not to do what David wants me to do, I don’t know.*  
5 *I never got to talk to him. But what we are doing isn’t going to work fast enough and*  
6 *we’ll have a big hill to climb in the end.* (Emphasis added.) I’m just so sick over this I  
7 can’t function.” (See Schenck Dep. Exhibit 21 at RECEIVER\_000052, attached as **SOF**  
8 **Ex. 82**).

9         244. Beauchamp’s notes reflect that he discussed the proposed new plan with  
10 Chittick the following day, February 27, 2014. They state, in part: “Denny explained  
11 procedure and Denny is taking all of the shortfall. [Menaged] wants this resolved.  
12 Denny wants this resolved because Denny is losing money to make payments to his  
13 investors if DenSco is not getting paid interest from [Menaged]. Denny willing to take  
14 loss this year -- so DenSco can return cash to investors and reduce interest obligation.  
15 *How to write this up for investors -- discussed. Do we still need Forbearance Agmt.*  
16 *- yes but will be less problematic. Will need Forbearance Agmt. to explain procedures*  
17 *and protect Denny for future revisions.* (Emphasis added.) Will need multiple advance  
18 not (unsecured) so DenSco can advance cash on house w/ double loans to be sold.” (See  
19 Beauchamp Dep. Exhibit 365, attached as **SOF Ex. 115**).

20         245. Chittick’s entry in the 2014 Corporate Journal for that day is consistent  
21 with Beauchamp’s notes. It states, in part: “I talked to [Menaged] again, he agreed to  
22 everything this morning on how to work this out. I talked to David, he thinks its fine.  
23 So we are done. . . . [N]ow we just need to get this signed and start working towards  
24 selling these houses.” (See Schenck Dep. Exhibit 21, at RECEIVER\_000052, attached  
25 as **SOF Ex. 82**).

1                   c.     **During March 2014, Beauchamp Continued to**  
2                         **Negotiate the Terms of the Forbearance Agreement But**  
3                         **Did So With Menaged, Communicating With Him**  
4                         **Through Chittick.**

5             246. Beauchamp had a telephone conversation with Chittick on March 3,  
6     2014. Chittick's entry in the 2014 Corporate Journal that day says, in part: "David  
7     called me telling me of ad lib info to scare me about dealing with [Menaged]. I can't  
8     control what others are saying in the lawyer community. I have to get this done so that  
9     I have something in writing and do the best deal that I can do." (See Schenck Dep.  
10    Exhibit 21, at RECEIVER\_000053, attached as **SOF Ex. 82**).

11            247. Chittick sent Beauchamp an email on March 4, 2014 in apparent response  
12    to that conversation. It stated, in part: "About what you said, I have no idea of the  
13    timing of that person you [mentioned] as to when he spoke to [Goulder] about our  
14    situation. I don't doubt perhaps that he was positioning himself in some way; seems  
15    logical for him to think that way. However, *now that [Menaged] has agreed to sign*  
16    *the terms sheet that we originally agreed to, allowing you to write it, he says he's not*  
17    *going to have [Goulder] review because [Goulder] already told him not to sign*  
18    *anything*. Plus he's signing the promissory note which also confirms the situation . . .  
19    in not so many words. But the fraud occurred and he's taking responsibility for it. . . .  
20    *You probably have the only chance in your career to write an agreement without*  
21    *conflicting counsel*. You can write it to our liking and in our best interests. *We CYA*  
22    *as broad as the Grand Canyon*. I think that is pretty advantageous." (Emphasis added.)  
23    (Beauchamp Dep. Exhibit 368, attached as **SOF Ex. 116**).

24            248. Beauchamp's response was: "*Your thoughts make sense*, but we still  
25    need an agreement that works." (Emphasis added.) (*Id.*)

26            249. Beauchamp sent Chittick a draft of the Forbearance Agreement on  
27    March 7, 2014. (See Beauchamp Dep. Exhibit 370, attached as **SOF Ex. 117**).

28            250. Chittick gave him comments on March 10, 2014 one of which reflected  
Chittick's and Menaged's request to modify the draft's confidentiality provision. As

1 Chittick described it in an email to Beauchamp: *“Only time I can disclose info is if*  
2 *I’m legally required by investors. He wants me to not say a word unless I’m legally*  
3 *required to*, because the reputation with his investors and buyers, clients etc. could be  
4 harmed.” (Emphasis added.) (See Beauchamp Dep. Exhibit 371 at DIC0006875,  
5 attached as **SOF Ex. 118**).

6 251. In his email response, Beauchamp wrote: “The confidentiality change is  
7 a problem, because who makes the decision if the disclosure is required? *I had*  
8 *language that you could disclose if such disclosure is reasonably needed to be*  
9 *disclosed to your investors or if a governmental agency requires such disclosure*  
10 *(after you give [Menaged] notice and an opportunity to get the agency to change its*  
11 *mind)*. Those are standard confidentiality exceptions. *I will look at them again to see*  
12 *if there is anything we can do to make it tighter.*” (Emphasis added.) (See Beauchamp  
13 Dep. Exhibit 371 at DIC0006875, attached as **SOF Ex. 118**).

14 252. Beauchamp’s notes reflect that he had a telephone conference with both  
15 Chittick and Menaged on March 11, 2014 to discuss the release and confidentiality  
16 provisions of the Forbearance Agreement, as well as the terms of a \$ 1 million “workout  
17 loan.” (See Beauchamp Dep. Exhibit 372, attached as **SOF Ex. 119**).

18 253. Beauchamp’s notes reflect that he had a telephone conference with both  
19 Chittick and Menaged on March 12, 2014 to discuss the release and confidentiality  
20 provisions of the Forbearance Agreement. (*Id.*)

21 254. On March 13, 2014, Beauchamp conferred with Chittick about the  
22 security for the loans DenSco would be advancing to Menaged. He also revised the  
23 confidentiality section of the Forbearance Agreement, sending the section to Chittick  
24 in an email which stated, in part: *“I have done a complete re-write of the*  
25 *Confidentiality section. . . . In order to comply with the specific securities disclosure*  
26 *requirements, I left \_\_\_\_ (blank) the amount of time for [Menaged] to be able to*  
27 *review and comment upon the proposed disclosure (suggest 48 hours)* and I did not  
28 give him the right to disapprove and block what you can or cannot disclose. DenSco

1 and you as the promoter of DenSco's offering have to make the decisions as to what is  
2 to be disclosed or not." (Emphasis added.) (See Beauchamp Dep. Exhibit 383, attached  
3 as **SOF Ex. 120**).

4 255. Between March 14 and March 20, 2014, Beauchamp communicated with  
5 Chittick about revisions to the Forbearance Agreement, relying on Chittick to convey  
6 drafts to Menaged and communicating with Menaged through Chittick. (See  
7 Beauchamp Dep. Exhibit 385, attached as **SOF Ex. 121**; Beauchamp Dep. Exhibit 386,  
8 attached as **SOF Ex. 122**; Beauchamp Dep. Exhibit 387, attached as **SOF Ex. 123**;  
9 Beauchamp Dep. Exhibit 388, attached as **SOF Ex. 124**; Beauchamp Dep. Exhibit 389,  
10 attached as **SOF Ex. 125**; Beauchamp Dep. Exhibit 390, attached as **SOF Ex. 126**;  
11 Beauchamp Dep. Exhibit 391 attached as **SOF Ex. 127**).

12 256. One of the topics Beauchamp discussed with Chittick was his plans to  
13 loan funds to Menaged and the impact of those loans, including loans up to 120% of  
14 value. Beauchamp stated that he "*completely agree[s] that [the proposed lending plan]*  
15 *makes a lot of sense, but I am concerned about the disclosure to your investors.*"  
16 (Emphasis added.) (See Beauchamp Dep. Exhibit 387, attached as **SOF Ex. 123**).

17 257. Chittick's entry in the 2014 Corporate Journal for March 20, 2014 stated,  
18 in part: "[Menaged] finally agreed to [the] agreement. That's done. I have to do some  
19 numbers to fill in the blanks, but otherwise it's ready to be signed. *I have no idea if it*  
20 *will ever be used, but David assured me I'm in a good position.*" (Emphasis added.)  
21 (See Schenck Dep. Exhibit 21, attached as **SOF Ex. 82**).

22 **d. The Forbearance Agreement Was Signed in April 2014.**

23 258. The Forbearance Agreement was signed by Chittick (for DenSco) and  
24 Menaged (for himself and his entities) on April 16, 2014. (See Beauchamp Dep. Exhibit  
25 402, attached as **SOF Ex. 113**).

26 259. Under the Forbearance Agreement, Menaged agreed to pay off the loans  
27 of DenSco and other lenders by, inter alia, (i) liquidating various assets, (ii) renting or  
28

1 selling real estate assets, (iii) attempting to recover the missing funds that his cousin  
2 allegedly stole, and (iv) obtaining \$4.2 million in outside financing. (*Id.*)

3 260. In turn, *DenSco agreed to, inter alia, (i) increase its loans to Menaged*  
4 *on certain properties up to 120% of the loan-to-value ratio, (ii) loan Menaged up to*  
5 *\$5 million more, at 18% interest, (iii) loan Menaged up to \$1 million more, at 3%*  
6 *interest, and (iv) defer the collection of interest on loans that Menaged had already*  
7 *defaulted on. (Id.)*

8 261. The Forbearance Agreement included a schedule of the loans DenSco had  
9 made to Menaged, members of his family, Easy Investments, and Arizona Home  
10 Foreclosures, including loans DenSco made between December 2013 and April 15,  
11 2014. *Those loans totaled \$37,456,620.47, well over half of the aggregate amounts*  
12 *DenSco had raised from investors. (See Beauchamp Dep. Exhibit 402 at DIC0010745-*  
13 *10749, attached as SOF Ex. 113).*

14 262. The confidentiality provision in the Forbearance Agreement permitted  
15 DenSco to disclose information “as may be necessary for [DenSco] to disclose to  
16 [DenSco’s] current or future investors” subject to the following limitations:

17 [DenSco] agrees to use its good faith efforts to limit such disclosure as  
18 much as legally possible pursuant to the applicable SEC Regulation D  
19 disclosure rules, which limitation is intended to have [DenSco] only  
20 describe: 1. the multiple Loans secured by the same Properties which  
21 created the Loans Defaults; 2. the work-out plan pursuant to this  
22 Agreement in connection with the steps to be taken to resolve the Loans  
23 Defaults; 3. the work-out plan shall also include disclosing the previous  
24 additional advances that [DenSco] has made and the additional advances  
25 that are intended to be made by [DenSco] to Borrower pursuant to this  
26 Agreement in connection with increases in the loan amount of certain  
27 specific Loans (up to 120% of the LTV of the applicable Property being  
28 used as security for that Loan), the additional advances pursuant to both the  
Additional Loan and the Additional Funds Loan; and 4. the cumulative  
effect that all of such additional advances to Borrower will have on  
[DenSco’s] business plan that [DenSco] has previously disclosed to its  
investors in [DenSco’s] private offering documents and which [DenSco]  
committed to follow, including the overall LTV loan ratios for all of  
[DenSco’s] outstanding loans to its borrowers in the aggregate and the  
concentration of all of [DenSco’s] outstanding loans among all of its  
borrowers. Further, [DenSco] will use its good faith efforts not to include  
the names of Borrower, Guarantor, or New Guarantor in [DenSco’s]  
disclosure material. [DenSco] will also provide Borrower with a copy of  
the applicable disclosure prior to dissemination to [DenSco’s] investors and

1 allow Borrower to have 48 hours to review and comment upon such  
2 disclosure.

3 (See Beauchamp Dep. Exhibit 402 at DIC0010741, attached as **SOF Ex. 113**).

4 **6. Clark Hill Advised Chittick That DenSco Could Continue**  
5 **Selling Promissory Notes Without First Issuing a New POM,**  
6 **and that DenSco Could Indefinitely Delay Issuing a New POM.**

7 263. Clark Hill and Beauchamp claim in their initial disclosure statement  
8 (at 10-11) that Beauchamp advised Chittick “during his January 9, 2014 meeting with  
9 Mr. Chittick” and repeatedly thereafter that: (a) DenSco was not permitted to take new  
10 money without full disclosure to the investor lending the money; (b) DenSco was not  
11 permitted to roll over existing investments without full disclosure to the investor rolling  
12 over the money; and (c) DenSco needed to update its POM and make full disclosure to  
13 all its investors. (See Schenck Dep. Exhibit 4 at pg. 10, ln. 14-19, attached as **SOF Ex.**  
14 **5**).

15 264. A jury will be asked to find that this claim is an after-the-fact untruth.

16 265. There are no documents, such as notes, emails or letters, which reflect  
17 that Beauchamp *ever* gave that advice.

18 266. The documents in the file instead show that Beauchamp told Chittick that  
19 DenSco could sell promissory notes, and that DenSco could put off preparing a new  
20 POM while Chittick pursued his “work out” plan. (See Beauchamp Dep. Exhibit 350,  
21 attached as **SOF Ex. 81**; Beauchamp Dep. Exhibit 168, attached as **SOF Ex. 93**;  
22 Beauchamp Dep. Transcript at pp. 405:5-408:9, attached as **SOF Ex. 6**; Beauchamp  
23 Dep. Exhibit 145, attached as **SOF Ex. 92**; Schenck Dep. Exhibit 6 at CH\_0002312,  
24 attached as **SOF Ex. 20**).

25 267. Moreover, Beauchamp admitted in his deposition that he knew Chittick  
26 had caused DenSco to sell promissory notes but claims that he understood Chittick did  
27 so only after making disclosures to each investor who purchased a promissory note.  
28 (See Beauchamp Dep. Transcript at pp. 78:8-83:23, attached as **SOF Ex. 6**).

1           268. Clark Hill and Beauchamp make a similar claim in their initial disclosure  
2 statement (at 11) that “Mr. Chittick assured Mr. Beauchamp repeatedly that he was  
3 making the requisite disclosures to investors on an as needed basis, and that he had  
4 informed a select group of investors as to the double lien issue and the proposed  
5 workout.” (See Schenck Dep. Exhibit 4 at pg. 11, ln. 7-9, attached as **SOF Ex. 5**).

6                           **a. In early January 2014, Clark Hill Advised DenSco It**  
7                           **Could Sell Promissory Notes Without First Issuing a**  
8                           **New POM**

9           269. Chittick’s entry for January 9, 2014 in a corporate journal he maintained  
10 during 2014 (the “2014 Corporate Journal”) says nothing about having been instructed  
11 by Beauchamp that DenSco could not sell promissory notes. The entry states, in part:  
12 “Scott and I met with David. He never read my email. We spent two hours. . . . He’s  
13 going to contact the lawyer tomorrow and let us know.” (See Schenck Dep. Exhibit 21  
14 at RECEIVER\_000045, attached as **SOF Ex. 82**).

15           270. Beauchamp’s handwritten notes from a call with Chittick on Friday,  
16 January 10, 2014 state, in part, “Need to get back up plan in place. *Denny does not*  
17 *want to talk to his investors until he is ready* – will not take long.” (Emphasis added.)  
18 (See Beauchamp Dep. Exhibit 157, attached as **SOF Ex. 128**).

19           271. Chittick’s entry for that date in the 2014 Corporate Journal states, in part,  
20 “at 5pm Dave called, said they would give us time to clean it up. I talked to Scott; he  
21 is going to try to bring in money. *I can raise money according to Dave.*” (Emphasis  
22 added.) (See Schenck Dep. Exhibit 21 at RECEIVER\_000045, attached as **SOF Ex.**  
23 **82**).

24           272. On Sunday, January 12, 2014, Chittick sent Beauchamp an email which  
25 stated, in part, “*I’ve spent the day contacting every investor that has told me they want*  
26 *to give me more money. I don’t have an answer on specifically how much I can raise;*  
27 *I’ll know that in a day or two.*” (Emphasis added.) He went on to say that between  
28 new money, current cash on hand, and pending real estate closings, he would have

1 ***between \$5 and \$10 million*** in the next ten days. His email summarized the outline of  
2 the plan he and Menaged had discussed the previous Friday, which included, for the  
3 group of lenders represented by Bryan Cave: (i) identifying all properties in which  
4 another party claimed an interest; (ii) providing that information to an escrow agent;  
5 (iii) buying out the other parties as cash was put into escrow; and (iv) memorializing  
6 the arrangement through a term sheet and a written contract. “[I]f ***both Scott and I can***  
7 ***raise enough money***, we should be able to have this all done in 30 days easy, less than  
8 three weeks would be my goal.” (Emphasis added.) As for the other lenders, Chittick  
9 stated that the plan was to pay them off as Menaged was able to raise additional capital.  
10 Chittick concluded the email by stating, “***that’s my plan, shoot holes in it.***” (Emphasis  
11 added.) (See Beauchamp Dep. Exhibit 150, attached as **SOF Ex. 129**).

12 273. Beauchamp responded in an email sent later that day which stated, in part,  
13 “***[y]ou should feel very honored that you could raise that amount of money that***  
14 ***quickly.*** I will outline a few thoughts tomorrow and get back to you.” (Emphasis  
15 added.) (*Id.*)

16 274. The “few thoughts” that Beauchamp conveyed the next day were  
17 questions about the sources from whom Menaged would raise money. Beauchamp did  
18 not tell Chittick that DenSco could not raise new money by selling promissory notes  
19 without first issuing a new POM. (See Beauchamp Dep. Exhibit 151, attached as **SOF**  
20 **Ex. 130**).

21 **b. During February, March and April 2014, While the**  
22 **Forbearance Agreement Was Negotiated, Clark Hill**  
23 **Advised Chittick That DenSco Could Delay Issuing a**  
**New POM.**

24 275. After telling Chittick that DenSco could continue selling promissory  
25 notes without first issuing a new POM, Beauchamp would periodically tell Chittick that  
26 a new POM had to be issued to reveal information about DenSco’s operations, but let  
27 Chittick believe the issuance of the POM could be delayed. (See Beauchamp Dep.  
28 Transcript at pp. 78:8-83-23, attached as **SOF Ex. 6**).



1           276. In a February 4, 2014 email that Beauchamp sent to Chittick, Beauchamp  
2 wrote that the Forbearance Agreement would need to be described in a document “that  
3 you HAVE to provide to your investors.” (See Beauchamp Dep. Exhibit 336, attached  
4 as **SOF Ex. 131**).

5           277. Chittick’s February 7, 2014 entry in the 2014 Corporate Journal states, in  
6 part, “I was on the phone with David and [Menaged] off and on trying to find middle  
7 ground in this crap to make this agreement final. *Now [D]avid is telling me I have to*  
8 *tell my investors.*” (See Schenck Dep. Exhibit 21 at RECEIVER\_000049, attached as  
9 **SOF Ex. 82**).

10           278. Beauchamp’s notes reflect that he discussed with Chittick on February  
11 21, 2014 DenSco’s upcoming annual meeting, which was scheduled for March 8. He  
12 wrote: “*cannot be ready to tell everything.*” (Emphasis added.) (See Beauchamp Dep.  
13 Exhibit 357, attached as **SOF Ex. 132**).

14           279. Beauchamp’s notes went on to reflect his thoughts about what might  
15 eventually be disclosed to investors. He wrote: “What to put into notice to the investors.  
16 [E]xplain concentration to Scott to help Scott package homes to sell to a Hedge Fund  
17 in \$5M groups. [T]he problem was discovered but to resolve the loans with double  
18 leverage came up with a plan, but that required DenSco to make higher leveraged loans.  
19 DenSco also made advances on new homes purchased.” (*Id.*)

20           280. Beauchamp’s notes also show that he knew the workout plan was  
21 increasing the loan-to-value ratios on many of DenSco’s loans far above what DenSco  
22 had disclosed to investors in any previous POM. For example, he wrote: “30 loans are  
23 now at 95% LTV.” (*Id.*)

24           281. The entry Chittick made in the 2014 Corporate Journal for March 11,  
25 2014 states, in part: “*David changed and said now I have to tell my investors.*  
26 (Emphasis added.) [Menaged] and I are going to try to fix this mess in 30 days and that  
27 way it will be a minor issue.” (See Schenck Dep. Exhibit 21 at RECEIVER\_000054,  
28 attached as **SOF Ex. 82**).

1           282. In a March 13, 2014 email to Chittick regarding the inclusion in the  
2 Forbearance Agreement of a confidentiality provision that Menaged had sought,  
3 Beauchamp wrote: With respect to timing, we are already **very late** in providing  
4 information to your **investors about this problem and the resulting material changes**  
5 **to your business plan. We cannot give [Menaged] and his attorney any time to**  
6 **cause further delay in getting this Forbearance Agreement finished and the**  
7 **necessary disclosure prepared and circulated.”** (Emphasis in original.) (See  
8 Beauchamp Dep. Exhibit 383, attached as **SOF Ex. 120**).

9                           c. **In May 2014, Clark Hill Made a Half-Hearted Effort to**  
10 **Prepare a New POM and Then, at Chittick’s Request,**  
11 **Stopped Working on the New POM and Advised**  
12 **Chittick That DenSco Could Continue to Put Off**  
13 **Issuing a New POM While Chittick Pursued His “Work**  
14 **Out” Plan.**

15           283. Chittick’s entry in the 2014 Corporate Journal for April 16, 2014 reflected  
16 the signing of the Forbearance Agreement and concludes: “I’ll send it up to David and  
17 then he and I can start on the memorandum.” (See Schenck Dep. Exhibit 21, at  
18 RECEIVER\_000059, attached as **SOF Ex. 82**).

19           284. Beauchamp’s notes show that he had a call with Chittick on April 24,  
20 2014. Those notes reflect that Beauchamp knew that DenSco’s total loans to Menaged  
21 were approximately \$36 million in principal, with a \$5 million note (of which  
22 approximately \$1.78 million was principal), and a \$1 million note (of which  
23 approximately \$915,000 was principal). (See Beauchamp Dep. Exhibit 406, attached  
24 as **SOF Ex. 133**).

25           285. Under the heading “POM update” he noted that 186 loans were double-  
26 encumbered when the workout started, which was down to 94 loans, representing \$12.3  
27 million of principal, as of that date, which was down from a previous balance of  
28 approximately \$25 million. (*Id.*)

1           286. That same day, Chittick sent Beauchamp by email another copy of the  
2 2011 private offering memorandum. (*See* Schenck Dep. Exhibit 99, attached as **SOF**  
3 **Ex. 134**).

4           287. It appears from the Clark Hill file that Beauchamp gave a printed copy of  
5 the memorandum to Schenck with a handwritten note asking him to mark up the  
6 memorandum and add “updates/forbearance, etc.” (*See* Schenck Dep. Exhibit 100,  
7 attached as **SOF Ex. 54**).

8           288. Beauchamp’s handwritten notes and documents in the file reflect that  
9 some research was done on May 13, 2014 on “Dodd Frank and regulation.” (Schenck  
10 Dep. Exhibit 11 at CH\_0005226 attached as **SOF Ex. 24**; Beauchamp Dep. Exhibit  
11 107, attached as **SOF Ex. 40**).

12           289. On May 14, 2014, Schenck sent Beauchamp by email a redline of a draft  
13 private offering memorandum and a separate document with comments, some of which  
14 were for Beauchamp’s attention. Schenck’s email concluded by asking Beauchamp to  
15 “let me know what changes you prefer before this draft is sent to Denny.” His time  
16 entry describes the document as a “first draft.” (*See* Schenck Dep. Exhibit 101 attached  
17 as **SOF Ex. 19**; Schenck Dep. Exhibit 11 at CH\_0005226 attached as **SOF Ex. 24**).

18           290. The document with comments contained, in the “Prior Performance”  
19 section, a discussion of the terms of the Forbearance Agreement, with limited  
20 information about the circumstances that gave rise to it and a narrative that accepted,  
21 as accurate and reliable, Menaged’s “cousin” story: “According to the Foreclosure  
22 Debtors, an agent of the Foreclosure Debtors had secured the Outside Loans without  
23 the Foreclosure Debtors’ knowledge.” The draft said nothing about Chittick’s gross  
24 negligence in managing DenSco’s lending practices by giving funds directly to  
25 Menaged, rather than to a Trustee. (*See* Schenck Dep. Exhibit 101 at pg. 39, attached  
26 as **SOF Ex. 19**).

1           291. Clark Hill's time records reflect that Beauchamp billed 30 minutes of  
2 time to "review revisions to POM and work on same." (See Schenck Dep. Exhibit 11  
3 at CH\_0005226, attached as **SOF Ex. 24**).

4           292. But there is nothing in the Clark Hill file to reflect that Beauchamp  
5 actually made any revisions to this first draft. (See Beauchamp Dep. Transcript at pp.  
6 201:12-202:10, attached as **SOF Ex. 6**).

7           293. Neither the Clark Hill file nor Clark Hill's billing statement reflect that  
8 Beauchamp never sent the draft POM to Chittick or discussed it with him. (See Schenck  
9 Dep. Exhibit 11, attached as **SOF Ex. 24**).

10          294. Clark Hill's files show that the firm simply stopped work on a new POM  
11 in mid-May 2014. (*Id.*)

12          295. Entries by Chittick in the 2014 Corporate Journal shortly thereafter reflect  
13 that Chittick had decided not to issue a new POM at that time, and to continue selling  
14 promissory notes while he pursued his "work out" plan in the hope of minimizing  
15 DenSco's losses before making a disclosure to investors. Clark Hill decided to abide  
16 by Chittick's instruction, just as the firm had agreed in September 2013 to prepare a  
17 new POM and then followed Chittick's instruction not to work on the new POM until  
18 Chittick was ready to issue it. (See Schenck Dep. Exhibit 21, attached as **SOF Ex. 82**).

19           a. The July 2, 2014 entry states, in part: "We are making progress,  
20 just too damn slow, *but I'm sure much quicker than David expected us to do.*"  
21 (Emphasis added.) (Schenck Dep. Exhibit 21 at RECEIVER\_00069, attached as  
22 **SOF Ex. 82**).

23           b. The July 25, 2014 entry states, in part: "My time is running out on  
24 updating my private placement memorandum and notifying my investors."  
25 (Schenck Dep. Exhibit 21 at RECEIVER\_00072, attached as **SOF Ex. 82**).

26           c. The July 31, 2014 states, in part: "It's all going in the right  
27 direction, just not sure if it's going fast enough. *As long as David doesn't bug*  
28

1           *me, I feel like we are doing the right thing.*” (Emphasis added.) (Schenck Dep.  
2           Exhibit 21 at RECEIVER\_00073, attached as **SOF Ex. 82**).

3           296. Clark Hill’s blessing of Chittick’s plan to continue pursuing a work out  
4 plan without telling DenSco’s investors is reflected in Beauchamp’s dealings with  
5 Chittick the following March. (See Beauchamp Dep. Exhibit 411, attached as **SOF Ex.**  
6 **135**; Schenck Dep. Exhibit 22, 3-13 at RECEIVER\_000101, attached as **SOF Ex. 136**).

7           297. On March 13, 2015, Beauchamp sent Chittick an email which stated, in  
8 part: “I would like to meet for coffee or lunch (at no charge to you) so we can sit down  
9 and talk about how things have progressed for you since last year. I would also like to  
10 listen to you about your concerns, and frustration with how the forbearance settlement  
11 and the documentation process was handled. I have thought back to it a lot and I have  
12 second guessed myself concerning several steps in the overall process, *but I wanted to*  
13 *protect you as much as I could.* (Emphasis added.) *When I felt that your frustration*  
14 *had reached a very high level, I stopped calling you about how things were going so*  
15 *that you did not feel I was just trying to add more attorney’s fees.* (Emphasis added.)  
16 I planned to call you after about 30 days, but then I let it slip all of last year because I  
17 kept putting it off. I even have tried to write you several different emails, but I kept  
18 erasing them before I could send them. I acknowledge that you were justifiably  
19 frustrated and upset with the expense and how the other lenders (and [Menaged] at  
20 times) seemed to go against you as you were trying to get things resolved last year for  
21 [Menaged]. I have tried to let time pass so that we can discuss if you are willing to  
22 move beyond everything that happened and still work with me. If not, I would like you  
23 to know that I still respect you, what you have done and would still like to consider you  
24 a friend. You stood up for [Menaged] when he needed it and I truly believe it was more  
25 than just a business decision on your part. Hopefully, you will respond to this email and  
26 we can try to talk and catch up.” (Beauchamp Dep. Exhibit 411, attached as **SOF Ex.**  
27 **135**).

28           298. Chittick responded “[s]ure, give me some options on when to meet.” (*Id.*)

1           299. Chittick forwarded Beauchamp's email to Menaged, who wrote,  
2 "[s]chedule coffee in 18 months when our balance is close to nothing." (See Beauchamp  
3 Dep. Exhibit 412, attached as **SOF Ex. 137**).

4           300. Chittick responded: "*I figure it's a miracle he left me alone this long!*"  
5 (Emphasis added.) (*Id.*)

6           301. In his entry that day in the corporate journal Chittick maintained for 2015  
7 (the "2015 Corporate Journal"), Chittick wrote: "*I got an email from Dave my attorney*  
8 *wanting to meet. He gave me a year to straighten stuff out. We'll see what pressure*  
9 *I'm under to report now.*" (Emphasis added.) (See Schenck Dep. Exhibit 22 at  
10 RECEIVER\_000101, attached as **SOF Ex. 136**).

11           302. Chittick had lunch with Beauchamp on March 24, 2015. (See Beauchamp  
12 Dep. Transcript at pp. 225:4-226:13, attached as **SOF Ex. 6**; Schenck Dep. Exhibit 22  
13 RECEIVER\_000102, attached as **SOF Ex. 136**).

14           303. Chittick's entry in the 2015 Corporate Journal for that date states: "I had  
15 lunch with Dave Beauchamp. I was nervous he was going to put a lot of pressure on  
16 me. However, *he was thrilled to know where we were at and I told him by April 15<sup>th</sup>,*  
17 *we'll be down to 16 properties with seconds on them, and by the end of June we hope*  
18 *to have all the retail houses sold by then and just doing wholesale. He said he would*  
19 *give me 90 days.* (Emphasis added.) I just hope we can sell them all by then and darn  
20 near be done with it. *I'm going to slow down the whole memorandum process too.*  
21 *Give us as much time as possible to get things in better order.*" (Emphasis added.)  
22 (Schenck Dep. Exhibit 22 RECEIVER\_000102, attached as **SOF Ex. 136**).

23           304. Chittick's entry in the 2015 Corporate Journal for June 18, 2015 states, in  
24 part: "[Menaged] tried to enlarge the wholesale number saying, well I'm paying down  
25 the workout, I can use that for the wholesale. I'm not letting him. That number needs  
26 to start dropping! *I have to get his number falling, or it's going to be hell with Dave.*"  
27 (Emphasis added.) (See Schenck Dep. Exhibit 22 RECEIVER\_000112, attached as  
28 **SOF Ex. 136**).

**d. With Clark Hill's Assistance, Chittick Caused DenSco to Sell Approximately \$5 Million of Promissory Notes Between January and May 2014 Without First Issuing a New POM.**

305. During the months of January through May 2014, DenSco sold \$5,000,008.00 of new promissory notes to the following investors, which were all two-year notes unless otherwise indicated.

Investor	Amount	Date
Brian & Carla Wenig	\$15,000	1/3/14
Dale Hickman	\$150,000	1/13/14
Carol & Mike Wellman	\$30,000	1/14/14
Carol Wellman	\$10,000	1/14/14
Jolene Page	\$150,000	1/14/14
Marvin & Pat Miller	\$200,000	1/15/14
Marvin & Pat Miller	\$100,000	1/15/14
Mark & Debbie Wenig	\$50,000	1/24/14
Kirk Fischer	\$600,000	1/29/14 <sup>5</sup>
Brian Imdieke	\$500,000	2/11/14 <sup>6</sup>
Ryan Baughman	\$300,000	2/11/14
Kaylene Moss	\$10,000	3/5/14
Ryan Baughman	\$300,000	4/1/14 <sup>7</sup>
Wayne Ledet	\$30,000	4/7/14
Alexandra Bunger	\$850,000	5/1/14
Cassidy Bunger	\$850,000	5/1/14
Connor Bunger	\$850,000	5/1/14

<sup>5</sup> Five-year note.

<sup>6</sup> Six-month note.

<sup>7</sup> Three-month note.

1	Bill Hughes	\$6,500	5/1/14
2	Bill Hughes -- IRA	\$6,500	5/1/14

3  
4 (See Exhibit A to Davis Dep. Exhibit 479, attached as **SOF Ex. 84**).

5       306. DenSco's sale of those promissory notes was necessary for DenSco to  
6 continue its business operations, and Clark Hill enabled DenSco to obtain investor  
7 funds during that five-month period without making adequate disclosures to those  
8 investors, exposing DenSco to substantial liability for those sales. (See Schenck Dep.  
9 Exhibit 22 at RECEIVER\_000101, attached as **SOF Ex. 136**; Beauchamp Dep. Exhibit  
10 406, attached as **SOF Ex. 133**; Beauchamp Dep. Exhibit 414, attached as **SOF Ex.**  
11 **138**).

12       307. The Receiver will update this disclosure statement to identify additional  
13 promissory note sales after May 2014.

14               **7. In Addition to Aiding and Abetting Chittick's Breach of**  
15               **Fiduciary Duties, Clark Hill Also Negligently Advised Chittick**  
16               **That DenSco Could Continue Giving Loan Proceeds to**  
                  **Menaged, Rather Than Paying Them Directly to a Trustee.**

17       308. As of January 9, 2014, Clark Hill knew that Chittick had been grossly  
18 negligent in managing DenSco's lending operations by giving tens of millions of loan  
19 proceeds to Menaged, rather than paying them directly to a Trustee. (See Beauchamp  
20 Dep. Exhibit 144, attached as **SOF Ex. 91**).

21       309. Clark Hill knew that this practice violated the terms of the Mortgage  
22 document Clark Hill knew DenSco routinely employed to document loans, which stated  
23 that the "The undersigned borrower ("Borrower") acknowledges receipt of the proceeds  
24 of a loan from DenSco Investment Corporation ("Lender") in the sum of \$\_\_\_\_\_,  
25 *as evidenced by check payable to: \_\_\_\_\_ ("Trustee").* (Emphasis added.) (See  
26 Schenck Dep. Exhibit 27, attached as **SOF Ex. 139**; Schenck Dep. Exhibit 29, attached  
27 as **SOF Ex. 89**).



1           310. Clark Hill also knew that this practice was an extraordinary breach of the  
2 representations in DenSco's POMs. As Beauchamp has admitted in interrogatory  
3 answers, DenSco's POMs represented that DenSco employed appropriate due diligence  
4 and loan procedures in making loans. An essential part of those loan procedures was  
5 that "every mortgage evidencing a property purchase made with a DenSco loan stated  
6 that the check purchasing the property was made to the Trustee." (See Beauchamp Dep.  
7 Exhibit 422 at pg. 6, ln. 17-19, attached **SOF Ex. 67**).

8           311. Clark Hill also knew, from Beauchamp's January 9, 2014 meeting with  
9 Chittick and Menaged, that Chittick's failure to follow those loan procedures had  
10 exposed DenSco to a substantial potential loss of between \$11.6 and \$14.5 million, or  
11 between 25% and 30% of the \$47 million that Beauchamp understood DenSco had  
12 raised as of June 2013. (See Beauchamp Dep. Exhibit 145, attached as **SOF Ex. 92**).

13           312. And Clark Hill knew that those potential losses resulted from Chittick's  
14 dealings with one borrower, Scott Menaged. (See Beauchamp Dep. Exhibit 144,  
15 attached as **SOF Ex. 91**; Beauchamp Dep. Exhibit 145, attached as **SOF Ex. 92**).

16           313. After Clark Hill learned, through Beauchamp's January 9, 2014 meeting  
17 with Chittick and Menaged, that Chittick intended to cause DenSco to continue loaning  
18 money to Menaged, Clark Hill should have issued immediate, clear written advice to  
19 Chittick that: (1) DenSco must adhere to the lending practices identified in its POMs  
20 and referenced in the Mortgage – i.e., disbursing loan proceeds directly to a Trustee,  
21 through a check (as the Mortgage contemplated) or a wire transfer; and (2) never  
22 disbursing loan proceeds directly to Menaged (or any other borrower) under any  
23 circumstances. (See Neil Wertlieb expert report at pp. 8-17, attached to Motion for  
24 Determination of Prima Facie Case).

25           314. Clark Hill had the opportunity to give that advice when Beauchamp  
26 received an email from Chittick during the evening of January 9, 2014, in which  
27 Chittick posed the following question:  
28

1 If [I] [obtain] a cashier's check and take it to the trustee myself, [I] don[']t  
2 get a receipt that DenSco [p]aid for it. [I] get a receipt saying that X  
3 property was paid for, for X \$'s vested in borrower's name. [DenSco's]  
4 name doesn't appear on it. [O]ther than having a cashier's check receipt  
5 saying [DenSco] made a check out for it, there isn't anything from the  
6 trustee saying that it was [DenSco's] check. ***[I] could wire [Menaged] the  
money, he could produce a cashier's check that says remitter is DenSco  
and it would have the exact same [e]ffect as if [I] got [a] cashier's check  
that said [DenSco's] the remitter.*** . . . [P]ut aside the logistics for a second,  
7 what proof or what guarantee is there by me cutting the check and handing  
8 it to [S]uzy at the trustee[']s office rather than my borrowers? [I] know [I]  
9 must be missing something. (Emphasis added.)

10 (See Beauchamp Dep. Exhibit 147, at CH\_0001502, attached as **SOF Ex. 140**).

11 315. Clark Hill failed to tell Chittick that he could not "wire Menaged the  
12 money" because: (1) doing so was contrary to representations in the POM and the terms  
13 of the Mortgage; (2) doing so had previously exposed DenSco to a potential loss of  
14 between \$11.6 and \$14.5 million; and (3) Menaged could not, given obvious questions  
15 about the veracity of his "cousin" story, be trusted. (See Beauchamp Dep. Transcript  
16 at 79:19-83:23 attached as **SOF Ex. 6**; Beauchamp Dep. Exhibit 147, attached as **SOF**  
17 **Ex. 140**; Schenck Dep. Exhibit 4 at pg. 7, ln. 17-16, attached as **SOF Ex. 5**).

18 316. Beauchamp instead responded in an email that night in which he said:  
19 ***"Let me see what the other lenders got from the Trustee and we can make a better***  
20 ***decision.*** There is either another way to do it or someone described a procedure that  
21 does not work." (Emphasis added.) (See Beauchamp Dep. Exhibit 147, at CH\_0001502,  
22 attached as **SOF Ex. 140**).

23 317. On January 17, 2014, Beauchamp told two other lawyers at Clark Hill,  
24 Dan Schenck and Bob Anderson, who specialized in real estate lending, that the firm  
25 needed to review "the demand letter from Bryan Cave asserting the claim from the other  
26 lenders" – i.e., that DenSco had fraudulently filed 52 Mortgage documents claiming  
27 that 52 Trustees had been paid to purchase properties at a Trustee's sale when no such  
28 payment had occurred -- and "[i]f this claim has any merit, [Clark Hill] need[ed] to  
advise DenSco to change its internal procedures." But neither Beauchamp, Schenck,

1 nor Anderson undertook that analysis. (*See* Schenck Dep. Exhibit 53, attached as **SOF**  
2 **Ex. 141**).

3 318. Beauchamp later advised Chittick that DenSco could continue wiring  
4 money to Menaged, trusting Menaged to pay the loan proceeds to a Trustee, so long as  
5 Menaged provided written confirmation that he had done so. As Chittick wrote in July  
6 2016:

7 a. “Going back to December of 2013, . . . [Menaged] knew he had to  
8 make money to help cover the deficit [that] would be created by the double  
9 encumbered properties and shortage that would be created at the time of  
10 disposition. He wanted time to still fund him buying properties at auction and  
11 flipping them, wholesaling them, etc. *I talked to Dave about this in January*  
12 *[2014] and he was in agreement with it as long as I received copies of checks*  
13 *and receipts showing that I was paying the trustee.*” (Emphasis added.) (*See*  
14 Beauchamp Dep. Exhibit 414 at DIC0009472 attached as **SOF Ex. 138**;  
15 Beauchamp Dep. Exhibit 415, attached as **SOF Ex. 38**).

16 b. “Dave, my lawyer, negotiated the work out agreement and  
17 endorsed the plan. Then when [Menaged] said hey, let me buy some  
18 foreclosures, flip them, wholesale them, etc. so I can make money. *All the other*  
19 *lenders wouldn’t lend to him. I needed him to make money now more than*  
20 *ever before. We went to Dave, and he gave some constraints on how we were*  
21 *to operate.* I have all the documentation. I received copies of checks made out  
22 to trustees, receipts from the trustees. I had all my docs signed. I recorded my  
23 mortgages. I had evidence of insurance, and I did everything.” (Emphasis  
24 added.) (*See* Beauchamp Dep. Exhibit 415 at DIC0009485 attached as **SOF Ex.**  
25 **38**).

26 319. Clark Hill and Beauchamp claim in their initial disclosure statement, and  
27 Beauchamp claimed when he was deposed, that Clark Hill had advised Chittick in  
28 January 2014 that it should not give loan proceeds to Menaged and should instead give

1 them to a Trustee. But a jury will find that this is yet another after-the-fact untruth. No  
2 documents in Clark Hill's file – not a letter, email, note or time entry – reflect that the  
3 advice was ever given. Moreover, Beauchamp's deposition testimony that he relied on  
4 Anderson to give that advice to Chittick and understood it had been given is belied by  
5 Anderson's deposition testimony, who said he had not done so. (*See* Beauchamp Dep.  
6 Transcript at pp. 252:17-255:15; 352:11-364:16, attached as **SOF Ex. 6**; Anderson Dep.  
7 Transcript at pp. 17:5-30:5, attached as **SOF Ex. 142**).

8         320. A jury will reject Clark Hill's claim and find that DenSco followed  
9 Beauchamp's negligent advice to Chittick that DenSco could continue its long-standing  
10 practice of giving loan proceeds directly to Menaged, trusting him to use those funds  
11 only to pay a Trustee for property that would be fully secured, with DenSco in first  
12 position. As a result, Menaged continued to have direct access to DenSco's funds,  
13 despite the tens of millions of dollars of losses that practice had caused DenSco, which  
14 put Menaged in a position to misappropriate those funds, just as he had misappropriated  
15 the loan proceeds DenSco had given him in previous years. (*See* expert report of Neil  
16 Wertlieb, attached to Motion for Determination of Prima Facie Case, Fenix Financial  
17 expert report at pp. 2-10, attached to Motion for Determination of Prima Facie Case as  
18 an Exhibit B).

19         321. As a direct consequence of Clark Hill's negligence, DenSco suffered  
20 substantial losses. (*Id.*)

21         322. If Clark Hill had instead advised Chittick that DenSco could never give  
22 loan proceeds to Menaged and must instead independently cause those funds to be  
23 delivered to a Trustee, Chittick would have followed that advice. Indeed, Chittick  
24 acknowledged in his January 9, 2014 email that he "must be missing something." (*See*  
25 Schenck Dep. Exhibit 36 at CH\_0001503, attached as **SOF Ex. 39**).

1           **E.      Response to 2016 ADFI Investigation**

2           323.   In March 2016, Chittick asked Beauchamp to help DenSco respond to  
3 another investigation by the Arizona Department of Financial Institutions. Beauchamp  
4 worked on the matter during March, April, May and June 2016, billing his time to a  
5 “General” matter he had established in January 2013. As with previous inquiries by  
6 ADFI, Clark Hill argued that DenSco should not be licensed and regulated by ADFI,  
7 which would have included a review of DenSco’s lending procedures. (*See* Schenck  
8 Dep. Exhibit 17, attached as **SOF Ex. 30**; Schenck Dep. Exhibit 18, attached as **SOF**  
9 **Ex. 31**; Schenck Dep. Exhibit 14, attached as **SOF Ex. 27**; Schenck Dep. Exhibit 15,  
10 attached as **SOF Ex. 28**; Schenck Dep. Exhibit 16, attached as **SOF Ex. 29**).

11           **F.      Chittick’s Suicide**

12           324.   Chittick committed suicide on July 28, 2016. (*See* Beauchamp Dep.  
13 Exhibit 323 at pg. 1, attached as **SOF Ex. 143**).

14           325.   Shortly before his death, Chittick wrote an “Investor” letter that was  
15 never sent to DenSco’s investors but was among the business records obtained by the  
16 Receiver. Among the statements in that letter are the following: “Why didn’t I let all  
17 of you know what was going on at any point? It was pure fear. . . . I have 100 investors.  
18 I had no idea what everyone would do or want to do or how many would just sue,  
19 justifiably. *I also feared that there would be a classic run on the bank. . . I truly*  
20 *believe we had a plan that would allow me to continue to operate, my investors would*  
21 *receive their interest and redemptions as a normal course of business, and the rest of*  
22 *my portfolio was performing. Dave blessed this course of action.* (Emphasis added.)  
23 We signed this workout agreement and began executing it.” (*See* Beauchamp Dep.  
24 Exhibit 414, attached as **SOF Ex. 138**); Beauchamp Dep. Exhibit 415 attached as **SOF**  
25 **Ex. 38**).

26           326.   The letter also stated: “Going back to December of 2013, . . . [Menaged]  
27 knew he had to make money to help cover the deficit [that] would be created by the  
28

1 double encumbered properties and shortage that would be created at the time of  
2 disposition. He wanted time to still fund him buying properties at auction and flipping  
3 them, wholesaling them, etc. *I talked to Dave about this in January [2014] and he*  
4 *was in agreement with it as long as I received copies of checks and receipts showing*  
5 *that I was paying the trustee.”* (Emphasis added.) (See Beauchamp Dep. Exhibit 414  
6 at DIC0009472 attached as **SOF Ex. 138**).

7 327. Chittick also wrote a detailed letter to his sister, Shawna Heuer (aka Iggy),  
8 shortly before his death. He wrote: “[Beauchamp] let me get the workout signed[,]  
9 not tell the investors[,] and try to fix the problem. That was a huge mistake. . . . Dave  
10 did a workout agreement with [Menaged], we were executing to it and making  
11 headway, yet Dave never made me tell the investors. . . . I talked Dave my attorney  
12 into allowing me to continue without notifying my investors. Shame on him. He  
13 shouldn’t have allowed me. He even told me once I was doing the right thing.”  
14 (Emphasis added.) (See Beauchamp Dep. Exhibit 415 at DIC0009482 and DIC0009484  
15 attached as **SOF Ex. 38**).

16 328. The letter also stated: “Dave, my lawyer, negotiated the work out  
17 agreement and endorsed the plan. (Emphasis added.) Then when [Menaged] said  
18 hey, let me buy some foreclosures, flip them, wholesale them, etc. so I can make money.  
19 All the other lenders wouldn’t lend to him. I needed him to make money now more  
20 than ever before. We went to Dave, and he gave some constraints on how we were to  
21 operate. I have all the documentation. I received copies of checks made out to trustees,  
22 receipts from the trustees. I had all my docs signed. I recorded my mortgages. I had  
23 evidence of insurance, and I did everything.” (See Beauchamp Dep. Exhibit 415 at  
24 DIC0009485, attached as **SOF Ex. 38**).

25 329. This “Iggy Letter” contained detailed information about actions Chittick  
26 had taken in managing DenSco’s affairs, including the location of funds and how he  
27 had transferred funds. (Beauchamp Dep. Exhibit 415, attached as **SOF Ex. 38**).

1           **G.     After Chittick's Death, Clark Hill Agreed to Represent Both DenSco**  
2           **and Chittick's Estate, Despite an Unconsentable Conflict.**

3           330. According to Clark Hill's billing records, Beauchamp learned of  
4 Chittick's suicide on Saturday, July 30, 2016 through a telephone call with Robert  
5 Koehler and Shawna Heuer. Beauchamp billed his time for that call to the "Business  
6 Matters" file he had caused to be established on January 14, 2014. (*See* Schenck Dep.  
7 Exhibit 18 at CH\_0008045, attached as **SOF Ex. 31**).

8           331. Robert Koehler was identified in the 2011 POM, under the heading  
9 "Contingency Plan in the Event of Death or Disability of Mr. Chittick," as the person  
10 with whom Chittick had entered into a written agreement "to provide or arrange for any  
11 necessary services for the Company" upon Chittick's death or disability. (*See*  
12 Beauchamp Dep. Exhibit 432 at pg. 41, attached as **SOF Ex. 2**).

13           332. According to Beauchamp's notes from his July 30, 2016 telephone  
14 conversation with Koehler and Heuer, he was told that Chittick had sent him a letter  
15 with instructions and a detailed letter to Koehler. Beauchamp wrote that he needed "to  
16 get both letters & discuss how to deal w/ this." (*See* Beauchamp Dep. Exhibit 416,  
17 attached as **SOF Ex. 144**).

18           333. On Sunday, July 31, 2016, Beauchamp exchanged emails with Koehler  
19 about scheduling a meeting with Koehler and Heuer the following afternoon. (*See*  
20 Email chain between Beauchamp and Koehler at DIC0011907-11908, attached as **SOF**  
21 **Ex. 145**).

22           334. Later that day, Beauchamp exchanged emails with Heuer in which  
23 Beauchamp approved an email Heuer had drafted to send to DenSco's investors which  
24 stated, in part, "[a] meeting with Denny's attorney is planned for Monday, August 1st,  
25 to form a course of action." (*See* Beauchamp Dep. Exhibit 420, attached as **SOF Ex.**  
26 **146**).

27           335. Heuer sent the e-mail to DenSco investors during the evening of July 31,  
28 2016, forwarding a copy to Beauchamp, who thanked her for doing so. (*Id.*)

1           336. Heuer sent Beauchamp before their August 1 meeting a copy of Chittick's  
2 Investor Letter and gave him at the meeting or in a meeting the following day a copy  
3 of the Iggy Letter. (*See* Beauchamp Dep. Exhibit 414, attached as **SOF Ex. 138**;  
4 Beauchamp Dep. Exhibit 415, attached as **SOF Ex. 38**; Beauchamp Dep. Transcript at  
5 86:23-87:13, attached as **SOF Ex. 6**).

6           337. During the August 1st meeting, Beauchamp agreed that Clark Hill would  
7 represent DenSco, reporting to Heuer, and also represent Heuer in her capacity as the  
8 personal representative of the Estate of Denny Chittick. (*See* Beauchamp Dep.  
9 Transcript at pp. 464:9-466:19, attached as **SOF Ex. 6**; Beauchamp Dep. Exhibit 206,  
10 attached as **SOF Ex. 147**; Beauchamp Dep. Exhibit 207 attached as **SOF Ex. 148**).

11           338. On August 2, 2016, Beauchamp and other Clark Hill attorneys met with  
12 Heuer. (*See* Beauchamp Dep. Exhibit 211, attached as **SOF Ex. 149**).

13           339. On August 4, 2016, Clark Hill initiated a probate proceeding and  
14 continued to act as counsel for the Estate of Chittick until August 12, 2016 (*See*  
15 Beauchamp Dep. Exhibit 216, attached as **SOF Ex. 150**).

16           340. Clark Hill should not have agreed to represent DenSco after Chittick's  
17 death and should have instead terminated the representation because Clark Hill knew,  
18 based on its own conduct since September 2013 and knowledge of Chittick's conduct,  
19 that DenSco had potential claims against the firm. (*See* expert report of Neil Wertlieb  
20 at pp. 49-50, attached to Motion for Determination of Prima Facie Case).

21           341. Clark Hill should not have agreed to represent the Estate of Chittick  
22 because Clark Hill knew, based on its knowledge of Chittick's conduct, that DenSco  
23 had substantial claims against Chittick's Estate for Chittick's gross negligence in  
24 managing DenSco's affairs. Indeed, in this litigation Clark Hill has identified the Estate  
25 as a non-party at fault and seeks to blame Chittick for DenSco's losses. Moreover, soon  
26 after his appointment, the Receiver filed a Notice of Claim in Probate Court against the  
27 Estate, based in part on Chittick's gross mismanagement of DenSco and multiple  
28



1 breaches of fiduciary duties Chittick owed DenSco. (*See* expert report of Neil Wertlieb  
2 at pp. 64-67, attached to Motion for Determination of Prima Facie Case).

3 342. A jury can assume that Clark Hill agreed to continue representing DenSco  
4 and jointly represent the Estate of Chittick because it saw those representations as a  
5 means to protect itself from liability. The firm's conduct during the months of August,  
6 September and October 2016 provides further evidence that this was Clark Hill's  
7 objective. (*Id.*)

8 **H. Between August 1 and August 18, 2016, Clark Hill Effectively Ran**  
9 **DenSco's Day-to-Day Affairs.**

10 343. After Chittick's death, Beauchamp, in coordination with Heuer, managed  
11 the day-to-day operations of DenSco until the Receiver was appointed on August 18,  
12 2016. (*See* Beauchamp Dep. Exhibit 206, attached as **SOF Ex. 147**; *See* Beauchamp  
13 Dep. Exhibit 214, attached as **SOF Ex. 151**; *See* Beauchamp Dep. Exhibit 218, attached  
14 as **SOF Ex. 152**; *See* Beauchamp Dep. Exhibit 223, attached as **SOF Ex. 153**; *See*  
15 Beauchamp Dep. Exhibit 233, attached as **SOF Ex. 154**; *See* Beauchamp Dep. Exhibit  
16 234, attached as **SOF Ex. 155**; *See* Beauchamp Dep. Exhibit 240, attached as **SOF Ex.**  
17 **156**; Beauchamp Dep. Exhibit 241, attached as **SOF Ex. 157**; Beauchamp Dep. Exhibit  
18 242, attached as **SOF Ex. 158**; Beauchamp Dep. Exhibit 243, attached as **SOF Ex. 159**;  
19 Beauchamp Dep. Exhibit 244, attached as **SOF Ex. 160**; Beauchamp Dep. Exhibit 418,  
20 attached as **SOF Ex. 161**; Beauchamp Dep. Exhibit 419, attached as **SOF Ex. 162**;  
21 Beauchamp Dep. Exhibit 420, attached as **SOF Ex. 146**; .

22 344. Beauchamp opened a "Business Wind Down" file to which he charged  
23 his time. (*See* Schenck Dep. Exhibit 18 at CH\_0008033, attached as **SOF Ex. 31**).

24 345. During that time period, Beauchamp communicated with investors and  
25 representatives of the Securities Division of the Arizona Corporation Commission (the  
26 "ACC"), which investigated securities law violations by DenSco and initiated on  
27 August 17, 2016 a lawsuit alleging that DenSco had violated securities laws and sought  
28

1 the appointment of a receiver. (*See* Schenck Dep. Exhibit 18 at CH\_0008034-8041,  
2 attached as **SOF Ex. 31**).

3 346. Although Clark Hill knew that as securities counsel to DenSco it faced  
4 potential claims by the ACC, DenSco's receiver, and/or DenSco's investors, it  
5 continued to represent DenSco.

6 347. Clark Hill authored several communications to DenSco's investors  
7 between August 1 and August 12, 2016 which failed to disclose information in Clark  
8 Hill's possession about Clark Hill's role as DenSco's securities counsel; Chittick's  
9 mismanagement of DenSco's lending practices; Chittick's decision to postpone the  
10 issuance of a new POM while still selling promissory notes; Chittick's goals in  
11 documenting the Forbearance Agreement; the actions Clark Hill had taken to assist  
12 Chittick; and Clark Hill's negligent advice to Chittick about DenSco's continued  
13 lending to Menaged. (*See* Schenck Dep. Exhibit 18 at CH\_0008034-8041, attached as  
14 **SOF Ex. 31**; Beauchamp Dep. Exhibit 168, attached as **SOF Ex. 93**; Beauchamp Dep.  
15 Exhibit 360, attached as **SOF Ex. 94**; Beauchamp Dep. Exhibit 361, attached as **SOF**  
16 **Ex. 95**; Beauchamp Dep. Exhibit 362, attached as **SOF Ex. 96**; Beauchamp Dep.  
17 Exhibit 363, attached as **SOF Ex. 97**; Beauchamp Dep. Exhibit 364, attached as **SOF**  
18 **Ex. 98**).

19 348. Clark Hill also failed to provide that information to the ACC. (*See*  
20 Beauchamp Dep. Transcript at pp. 155:21-156:16, attached as **SOF Ex. 6**).

21 349. The investor communications Clark Hill drafted also suggested that  
22 DenSco and its investors would not be well served if a receiver were appointed. For  
23 example, in the first email Beauchamp sent to DenSco investors on August 3, 2016, he  
24 wrote:

25 [T]he problem with DenSco's Troubled Loans developed over time and it  
26 will take some time to understand those Troubled Loans [and] how those  
27 loans came into existence. . . . If whoever is in charge of DenSco does not  
28 work with the Investors, then DenSco will either be put into bankruptcy or  
have a Receiver appointed, which will incur costs on behalf of the Investors  
and that will significantly reduce what will be available to return to the  
Investors. For example, *one of the recent reports concerning liquidation*

1 *of companies owing money to investors indicated that the costs associated*  
2 *with a bankruptcy or a Receiver can reduce the amount to be paid to*  
3 *investors by almost half or even a much more significant reduction. . . .*  
4 *[W]e would like to keep DenSco out of a protracted bankruptcy or a*  
5 *contentious Receivership proceeding.* As indicated above, various studies  
6 have shown that the third party costs and legal and other professional fees  
and costs and the inherent delays in bankruptcy and/or Receivership  
proceedings can consume more than 35% of the available money that  
should or would otherwise be available to be returned to Investors.  
(Emphasis added.)

(See Beauchamp Dep. Exhibit 213, attached as **SOF Ex. 163**; Beauchamp Dep.  
Transcript at pp. 472:9-476:4, attached as **SOF Ex. 6**).

8 **I. Beginning on August 15, 2016, Clark Hill Sought to Conceal Its**  
9 **Negligence and the Assistance It Gave Chittick in His Breach of**  
10 **Fiduciary Duties by Falsely Claiming It Had Terminated Its**  
11 **Representation of DenSco, and Continues to Claim, Without Any**  
12 **Supporting Records, That It Did So.**

13 350. During its investigation of potential securities law violations by DenSco,  
14 the ACC sought documents from Clark Hill about the firm's work for DenSco.  
15 (Beauchamp Dep. Transcript at pp. 155:21-156:16, attached as **SOF Ex. 6**).

16 351. It was during that investigation that Clark Hill claimed for the first time  
17 that it had terminated its representation of DenSco because Chittick allegedly refused  
18 to follow the firm's advice.

19 352. Clark Hill has made inconsistent claims about the alleged termination of  
20 its representation of DenSco since August 2016 and continues to claim that the  
21 termination occurred despite the absence of any records to support the claim, and  
22 records that are inconsistent with the claim. (See Beauchamp Dep. Transcript at pp.  
23 158:9-161:24; pp. 180:7-183:22; 195:11-199:14 attached as **SOF Ex. 6**).

24 353. The claim was first made on August 15, 2016, when ACC investigator  
25 Gary Clapper sent Beauchamp an email which stated, in part: "Can you please get a  
26 copy of the forbearance agreement. Since the offering document is updated every two  
27 years can you please get copies of all of them." (See Beauchamp Dep. Exhibit 283 at  
28 DIC0011375 attached as **SOF Ex. 164**).

354. Beauchamp responded: "I only have access to some of DenSco's files.  
Despite my requests, Denny Chittick did not request for all of DenSco's previous files

1 to be transferred to me. In addition, *Denny stopped our efforts to do an updated*  
2 *offering memorandum in 2013*, so the initial work on that was never finished. Denny  
3 also *did not engage us to prepare an amendment to the offering document or to*  
4 *prepare a new disclosure document despite several conversations about that issue.*”  
5 (Emphasis added.) (See Beauchamp Dep. Exhibit 283 at DIC0011373 attached as **SOF**  
6 **Ex. 164**).

7 355. In an August 17, 2016 declaration Beauchamp stated that “[i]n late 2014  
8 or 2015, I ended my formal relationship with Mr. Chittick and DenSco.” (See  
9 Beauchamp Dep. Exhibit 297 at pg. 2 ¶7, attached as **SOF Ex. 165**).

10 356. In an August 21, 2016 email to DenSco investor Rob Brinkman,  
11 Beauchamp first wrote that “my law firm started preparing the 2013 POM, but we  
12 were put on hold. After the Forbearance Agreement was signed by Scott Menaged, we  
13 started to amend the 2013 draft POM, but we stopped and withdrew as securities  
14 counsel for DenSco. Denny was supposed to get other counsel and finish the POM  
15 in 2014, but I do not know if that did happen.” (Emphasis added.) In a follow-up  
16 email to Brinkman, he wrote that “[t]he 2013 POM was never finalized due to attorney  
17 client protected issues that I have been instructed not to discuss.” (Emphasis added.)  
18 (See Beauchamp Dep. Exhibit 305, attached as **SOF Ex. 166**).

19 357. In a February 8, 2017 email to the Receiver’s counsel, Beauchamp made  
20 the following unsolicited statement: “Please note that my previous reference to  
21 ‘securities work’ was for work done PRIOR to when my firm terminated doing any  
22 securities or other legal work for DenSco when Denny Chittick refused to send the  
23 amended Private Offering Memorandum to his investors. The amended Private  
24 Offering Memorandum that we wanted to be sent described the Forbearance Agreement  
25 and the changes to the lending criteria and security ratios that DenSco was to follow  
26 when making its loans to Borrowers. I believe that we terminated our representation  
27 in approximately July 2014.” (Emphasis added.) (See Sifferman Dep. Exhibit 457,  
28 attached as **SOF Ex. 167**).

1           358. Clark Hill now claims that the firm terminated the representation in May  
2 2014, stating in Defendants' initial disclosure statement (at 15) that

3           Mr. Chittick . . . refused to provide the necessary information to complete  
4 the POM and refused to approve the description of the workout or the  
5 double lien issue. . . .

6           ***In May 2014***, Mr. Beauchamp handed Mr. Chittick a physical copy of the  
7 draft POM and asked him what Mr. Chittick's specific issues were with the  
8 disclosure. Mr. Chittick responded that there was nothing wrong with the  
9 disclosure, he was simply not ready to make any kind of disclosures to his  
10 investors at this stage. Mr. Beauchamp again explained that Mr. Chittick  
11 had no choice in the matter and that he had a fiduciary duty to his investors  
12 to make these disclosures. Mr. Chittick would not budge. ***Faced with an***  
13 ***intransigent client who was now acting contrary to the advice Mr.***  
14 ***Beauchamp was providing, and with concerns that Mr. Chittick may not***  
15 ***have been providing any disclosures to anyone since January 2014, Mr.***  
16 ***Beauchamp informed Mr. Chittick that Beauchamp and Clark Hill could***  
17 ***not and would not represent DenSco any longer.*** Mr. Beauchamp also  
18 told Chittick that he would need to retain new securities counsel, not only  
19 to provide the proper disclosure to DenSco's investors, but to protect  
20 DenSco's rights under the forbearance agreement. Mr. Chittick suggested  
21 that he has already started that process and was speaking with someone  
22 else.

23 (See Schenck Dep. Exhibit 4 at pg. 15, ln. 3-20, attached as **SOF Ex. 5**).

24           359. But there is not a single document in Clark Hill's file to support this  
25 claim, such as a termination letter that law firms commonly send when ending a client  
26 relationship and especially when a law firm believes a client is disregarding advice  
27 given by the firm. (See Beauchamp Dep. Transcript at pp. 158:9-161:24; 180:7-183:22;  
28 195:11-199:14 attached as **SOF Ex. 6**).

          360. Moreover, Clark Hill makes this claim despite numerous documents in  
its files reflecting that Clark Hill never terminated the representation and continued to  
represent DenSco after May 2014. Those documents include:

          a. Documents generated in June 2014 which reflected work Clark  
Hill performed to amend the Forbearance Agreement and correct errors the firm  
had made when the Forbearance Agreement was signed in April 2014. Chittick  
and Menaged signed those documents on June 18, 2014. (See Beauchamp Dep.  
Exhibit 140, attached as **SOF Ex. 77**; Beauchamp Dep. Exhibit 141, attached as

1       **SOF Ex. 78**; Beauchamp Dep. Exhibit 142 attached as **SOF Ex. 86**; Beauchamp  
2       Dep. Exhibit 143, attached as **SOF Ex. 87**; Beauchamp Dep. Exhibit 144  
3       attached as **SOF Ex. 91**; Beauchamp Dep. Exhibit 338 attached as **SOF Ex. 168**;  
4       Beauchamp Dep. Exhibit 339 attached as **SOF Ex. 169**; Beauchamp Dep.  
5       Exhibit 340 attached as **SOF Ex. 170**; Beauchamp Dep. Exhibit 334 attached as  
6       **SOF Ex. 186**; Beauchamp Dep. Exhibit 410 attached as **SOF Ex. 171**;

7               b.       In May, June, July and August 2014, Beauchamp sent Chittick  
8       billing statements for work performed for DenSco through transmittal letters that  
9       stated: “Thank you again for allowing Clark Hill and me to provide legal  
10      services to DenSco Investment Corporation. If you have any question or if we  
11      can assist you with any other matter(s), please let me know.” (*See* Schenck Dep.  
12      Exhibit 10, attached as **SOF Ex. 23**; Schenck Dep. Exhibit 11, attached as **SOF**  
13      **Ex. 24**; Schenck Dep. Exhibit 12, attached as **SOF Ex. 25**).

14              c.       As noted above, when Chittick asked Clark Hill to respond to the  
15      ADFI inquiry in March 2016, Beauchamp billed his time to the “General” matter  
16      Clark Hill had established in January 2014. (*See* Schenck Dep. Exhibit 17,  
17      attached as **SOF Ex. 30**; Schenck Dep. Exhibit 18, attached as **SOF Ex. 31**;  
18      Schenck Dep. Exhibit 14, attached as **SOF Ex. 27**; Schenck Dep. Exhibit 15,  
19      attached as **SOF Ex. 28**; Schenck Dep. Exhibit 16, attached as **SOF Ex. 29**).

20              d.       As noted above, after Chittick’s death, Beauchamp billed his time  
21      to the “Business Matters” file Clark Hill had established in January 2014. (*See*  
22      Schenck Dep. Exhibit 18, attached as **SOF Ex. 31**; Schenck Dep. Exhibit 19,  
23      attached as **SOF Ex. 32**).

24              e.       On June 22, 2017, approximately six months before this lawsuit  
25      was filed, Clark Hill submitted two proofs of claim to the Receiver, seeking  
26      \$53,820.00 for work performed between June 1, 2016 and August 17, 2016, and  
27      \$23,046.00 for work performed between August 18, 2016 and September 30,  
28      2016. Clark Hill claimed in an accompanying affidavit that “[i]n 2016 and

1 *earlier, the Firm represented DenSco Investment Corporation,”* providing  
2 “general business advice and representation,” and that “[a]fter the death of  
3 DenSco’s principal, in July 2016, the Firm transitioned the subject matter of its  
4 work to advice and guidance to DenSco to assist in winding down its business.”  
5 (Emphasis added.) Clark Hill did not claim then that it had terminated its  
6 representation of DenSco at any previous time. (See Beauchamp Dep. Exhibit  
7 425, attached as **SOF Ex. 172**).

8 361. In claiming that Clark Hill had, in fact, terminated its representation of  
9 DenSco in May 2014 – a claim verified by Clark Hill’s General Counsel – Clark Hill  
10 concealed material information it should have disclosed pursuant to Rule 26.1. It was  
11 only after the Receiver’s counsel served written discovery on Clark Hill that Clark Hill  
12 disclosed that it did not close until May 2018 – *after* receiving the Receiver’s written  
13 discovery – the files Clark Hill had opened in September 2013 to prepare a new POM  
14 and in January 2014 for the “lien workout.” The files established for DenSco’s  
15 “General” and “Business Matters” were never closed and remain open. (Id)

16 **J. Clark Hill Colluded With the Estate of Chittick to Prevent the**  
17 **Receiver From Obtaining Material Information.**

18 362. Clark Hill did not internally consider the conflicts created by its joint  
19 representation of DenSco and the Chittick Estate until an investor raised the issue on  
20 August 10, 2016. (See Beauchamp Dep. Exhibit 434, attached as **SOF Ex. 173**).

21 363. Clark Hill referred Heuer to lawyers whom Clark Hill believed would  
22 aggressively protect the Estate from potential claims by investors and the Receiver –  
23 Beauchamp’s former colleagues at Gammage & Burnham: James Polese and Kevin  
24 Merritt. (See Beauchamp Dep. Exhibit 278, attached as **SOF Ex. 174**).

25 364. Clark Hill then began colluding with Gammage & Burnham to protect the  
26 Chittick Estate and Clark Hill from the Receiver. (Beauchamp Dep. Exhibit 435  
27 attached as **SOF Ex. 175**; Beauchamp Dep. Exhibit 436 attached as **SOF Ex. 176**;  
28 Heuer Dep. Exhibit 447, attached as **SOF Ex. 177**; Sifferman Dep. Exhibit 465,

1 attached as **SOF Ex. 178**; Sifferman Dep. Exhibit 466, attached as **SOF Ex. 179**;  
2 Sifferman Dep. Exhibit 468 attached as **SOF Ex. 180**).

3 365. Among other evidence of such collusion are emails exchanged between  
4 Polese, Merrick and Beauchamp about seeking the appointment of a receiver other than  
5 the Receiver. (*Id.*)

6 366. Moreover, shortly before the August 18, 2016 hearing at which the  
7 Receiver was appointed, Beauchamp, with the assistance and approval of Clark Hill's  
8 Assistant General Counsel, prepared a declaration for the Estate to submit to the  
9 Receivership Court which Beauchamp has since acknowledged falsely stated that Clark  
10 Hill had jointly represented DenSco and Chittick individually. (*See* Beauchamp Dep.  
11 Exhibit 297 attached as **SOF Ex. 165**).

12 367. During the August 18, 2016 hearing, neither Beauchamp nor Clark Hill's  
13 Assistant General Counsel corrected false statements by the Estate's counsel to the  
14 effect that Clark Hill had jointly represented DenSco and Chittick personally. (*See*  
15 Beauchamp Dep. Transcript at pp. 140:21-143:12, attached as **SOF Ex. 6**).

16 368. That claim was integral to the Estate's successful effort to obtain  
17 language in the Order appointing the Receiver which recognized the existence of the  
18 spurious joint representation claim and materially limited the Receiver's ability to  
19 promptly and efficiently obtain relevant records from Clark Hill's files. (Beauchamp  
20 Dep. Transcript at pp. 122:8-127:1, attached as **SOF Ex. 6**).

21 369. The Estate and Clark Hill used the Order as an excuse to decline to  
22 provide the Receiver with immediate access to relevant records, such as the Iggy Letter,  
23 and to "slow walk" Clark Hill's production of its files to the Receiver. (*Id.*)

24 370. The Receiver's counsel sent a letter demanding the immediate production  
25 of the files on August 29, 2016. Clark Hill did not produce them until October 13,  
26 2016, and only after making multiple demands. During this time period, Clark Hill's  
27 Office of General Counsel was actively involved and directed the firm's response to the  
28 Receiver's demands. (*See* Sifferman Dep. Exhibit 463, attached as **SOF Ex. 181**).



1           371. In the interim, Clark Hill and the Estate continued using the false claim  
2 that Clark Hill had jointly represented DenSco and Chittick personally to delay  
3 providing relevant information to the Receiver. (*See* Beauchamp Dep. Exhibit 297,  
4 attached as **SOF Ex. 165**).

5           372. The Estate also proposed, with Clark Hill's implicit consent, a "common  
6 interest" agreement between the Estate, DenSco (represented by Clark Hill) and the  
7 Receiver, which falsely stated that because of the alleged joint representation by Clark  
8 Hill of DenSco and Chittick personally, the Estate, DenSco and the Receiver had a  
9 common interest in defending lawsuits that investors might pursue.

10           373. After finally receiving Clark Hill's files in October 2016, the Receiver  
11 discovered critical documents, such as the Iggy Letter, that the Estate had sought to  
12 prevent the Receiver from obtaining under a claim of personal privilege. That  
13 document contained information that was material to claims the Receiver later brought  
14 against the Estate of Chittick. Without the document, the Receiver had been required  
15 to devote substantial resources to independently discovering information contained in  
16 the Iggy Letter. (*See* Beauchamp Dep. Exhibit 415, attached as **SOF Ex. 38**).

17           **K. Actions Taken by the Receiver**

18           374. After his appointment, the Receiver took possession of and analyzed  
19 DenSco's books and records, issuing a preliminary report on September 19, 2016. (*See*  
20 Beauchamp Dep. Exhibit 323, attached as **SOF Ex. 143**).

21           375. On December 9, 2016, the Receiver filed a notice of claim in the probate  
22 court against the Estate of Denny Chittick, asserting, inter alia, claims that Chittick had  
23 breached fiduciary duties owed DenSco. (*See* Davis Dep. Exhibit 480 attached as **SOF**  
24 **Ex. 182**).

25           376. The Estate issued a notice of disallowance of the claim on February 3,  
26 2017.

1           377. On December 23, 2016, the Receiver issued a status report. That report  
2 contains, among other things, the Receiver's conclusion that DenSco was insolvent in  
3 January 2014. (*See* Davis Dep. Exhibit 479, attached as **SOF Ex. 84**).

4           378. The Receiver monitored and took part in a bankruptcy proceeding that  
5 Menaged initiated. Among other things, the Receiver's counsel conducted an  
6 examination of Menaged, and the Receiver filed an adversary complaint and a  
7 complaint to determine nondischargeability, and obtained a judgment against Menaged.  
8 (*Id.*)

9           379. On June 22, 2017, Clark Hill submitted two proofs of claim to the  
10 Receiver, which are discussed above. (*See* Beauchamp Dep. Exhibit 425, attached as  
11 **SOF Ex. 172**).

12           380. On September 14, 2017, the Receiver filed a petition with the  
13 Receivership Court seeking to file this action. The petition was granted on October 10,  
14 2017. (*See* Order attached as **SOF Ex. 183**).

15           381. On September 25, 2017, the Receiver filed in the Receivership Court  
16 Petition No. 37 – Petition for Approval of Receiver's Final Recommendations  
17 Approving Claims in DenSco Receivership, in which the Receiver recommended that  
18 Clark Hill's claims be denied "because the Receiver has determined that Clark Hill had  
19 a conflict of interest that precluded it from performing the legal services without  
20 violating fiduciary duties to DenSco. Despite providing Clark Hill with notice of the  
21 Receiver's recommendation of the denial of its two claims and a copy of the Claims  
22 Report, Clark Hill failed to object or respond to the Receiver's recommendation that  
23 their two non-investor claims submitted by Clark Hill be denied." The Petition was  
24 granted on October 27, 2017. (*See* Petition No. 37 and Order attached as **SOF Ex. 184**).

25           382. This action was filed on October 16, 2017.

26           383. On December 22, 2017, the Receiver issued a status report describing the  
27 status of the receivership. (*See* Davis Dep. Exhibit 534, attached as **SOF Ex. 185**).

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RESPECTFULLY SUBMITTED this 12th day of April, 2019.

OSBORN MALEDON, P.A.

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This document was electronically filed  
and served via AZTurboCourt and  
hand-delivery this 12th day  
of April, 2019, on:

Honorable Daniel Martin  
Maricopa County Superior Court  
101 West Jefferson, ECB-412  
Phoenix, Arizona 85003

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		<b>Index of Exhibits to Statement of Facts</b>		
<b>SOF Exhibit No.</b>	<b>Document Date</b>	<b>Description</b>	<b>Bates Number</b>	<b>Marked Deposition Exhibit</b>
SOF Ex. 1	2016-08-17	Verified complaint of Arizona Corporation Commission (“ACC”) against DenSco Investment Corporation	UNNUMBERED	292 Beauchamp
SOF Ex. 2	2011-07-01	DenSco Confidential Private Offering Memorandum	BC_002912 - 002981	432 Beauchamp
SOF Ex. 3	2013-06-17	Printed excerpt from DenSco website	DIC0003429 – 0003434	115 Beauchamp
SOF Ex. 4	2017-06-12	Clark Hill PLC – David Beauchamp bio	RECEIVER_001343 - 001345	3 Schenck
SOF Ex. 5	2018-03-09	Defendants’ Initial Rule 26.1 Disclosure Statement	UNNUMBERED	4 Schenck
SOF Ex. 6	2018-07-19	David Beauchamp Deposition Transcript Excerpts	UNNUMBERED	N/A
SOF Ex. 7	2007-05-03	Handwritten Notes	DIC0000939 - 0000941	N/A
SOF Ex. 8	2007-06-01	Handwritten Notes	DIC0000936	N/A
SOF Ex. 9	2009-04-09	Handwritten Notes	DIC0002433 - 0002434	N/A
SOF Ex.10	2009-04-17	Handwritten Notes	DIC0002431	N/A
SOF Ex.11	2009-06-30	Handwritten Notes	DIC0002427	N/A
SOF Ex.12	2009-07-06	Email from D. Beauchamp to D. Chittick with attachments	DIC0002141 - 0002212	N/A
SOF Ex.13	2011-04-13	Handwritten Notes	DIC0004378 - 0004379	N/A
SOF Ex.14	2009-07-01	DenSco Confidential Private Offering Memorandum	BC_002357 - 002424	431 Beauchamp
SOF Ex.15	2007-06-01	DenSco Confidential Private Offering Memorandum	DIC0000965 - 0001032	430 Beauchamp
SOF Ex.16	2011-07-18	Email exchange between D. Beauchamp and M. Parsons re Memorandum	DIC0003969 - 0003970	N/A
SOF Ex.17	2013-04-22	Bunger Subscription Agreement Investment #4	DOCID_00065995	621 Bunger
SOF Ex.18	2007-06-15	Email exchange between D. Beauchamp and R Carney re New DenSco Offering	DIC0002470 - 0002471	N/A
SOF Ex.19	2014-05-14	E-mail exchange between D. Schenck and D. Beauchamp;	DIC0008639; DIC0008874 - 0008945	101 Schenck
SOF Ex.20	2014-02-20	Letter from D. Beauchamp to D. Chittick with enclosed invoices	CH_0002308 - 0002317	6 Schenck
SOF Ex.21	2014-03-14	Letter from D. Beauchamp to D. Chittick with enclosed invoices	CH_0002673 - 0002680	7 Schenck
SOF Ex.22	2014-04-24	Letter from D. Beauchamp to D. Chittick with enclosed invoices	CH_0004324 - 0004332	9 Schenck
SOF Ex.23	2014-05-23	Letter from D. Beauchamp to D. Chittick with enclosed invoices	CH_0000513 - 0000523	10 Schenck
SOF Ex.24	2014-06-25	Letter from D. Beauchamp to D. Chittick with enclosed invoices	CH_0005221 - 0005226	11 Schenck

		<b>Index of Exhibits to Statement of Facts</b>		
<b>SOF Exhibit No.</b>	<b>Document Date</b>	<b>Description</b>	<b>Bates Number</b>	<b>Marked Deposition Exhibit</b>
SOF Ex.25	2014-07-16	Letter from D. Beauchamp to D. Chittick with enclosed invoices	CH_0005263 - 0005265	12 Schenck
SOF Ex.26	2014-08-20	Letter from D. Beauchamp to D. Chittick with enclosed invoices	CH_0005289 - 0005291	13 Schenck
SOF Ex.27	2016-04-27	Letter from D. Beauchamp to D. Chittick with enclosed invoices	CH_0006381 - 0006383	14 Schenck
SOF Ex.28	2016-05-13	Letter from D. Beauchamp to D. Chittick with enclosed invoices	CH_0006376 - 0006379	15 Schenck
SOF Ex.29	2016-06-15	Letter from D. Beauchamp to D. Chittick with enclosed invoices	CH_0008985 - 0008987	16 Schenck
SOF Ex.30	2016-07-22	Letter from D. Beauchamp to D. Chittick with enclosed invoices	CH_0008940 - 0008942	17 Schenck
SOF Ex.31	2016-09-15	Letter from D. Beauchamp to P.Davis with enclosed invoices	CH_0008032 - 0008045	18 Schenck
SOF Ex.32	2016-10-20	Letter from D. Beauchamp to D. Chittick with enclosed invoices	CH_0008028 - 0008031	19 Schenck
SOF Ex.33	2013-05-07	Bryan Cave bill issued to DenSco	BC_003074 – 003077	106A Beauchamp
SOF Ex.34	2013-06-17	Bryan Cave bill issued to DenSco	BC_003078 – 003080	119 Beauchamp
SOF Ex.35	2013-07-23	Bryan Cave bill issued to DenSco	BC_003081 – 003086	132 Beauchamp
SOF Ex.36	2013-08-14	Bryan Cave bill issued to DenSco	BC_003087 - 003090	133 Beauchamp
SOF Ex.37	2013-09-24	Bryan Cave bill issued to DenSco	BC_003091 – 003093	139 Beauchamp
SOF Ex.38	2016-07-28	Iggy List	DIC0009476 – 0009487	415 Beauchamp
SOF Ex.39	2014-01-09	E-mail exchange between D. Chittick, D.	CH_0001502 -	36 Schenck
SOF Ex.40	2013-05-09	D. Beauchamp handwritten notes	DIC0003345 - 0003347	107 Beauchamp
SOF Ex.41	2013-06-25	E-mail from D. Beauchamp to E. Sipes	DIC0003574 – 0003575	125 Beauchamp
SOF Ex.42	2013-07-01	E-mail exchange between E. Sipes and D. Beauchamp	DIC0003495 – 0003496	129 Beauchamp
SOF Ex.43	2013-06-14	E-mail from D. Chittick to D. Beauchamp	DIC0000055 – 0000069	111 Beauchamp
SOF Ex.44	2018-11-14	Plaintiff's Fifth Disclosure Statement	UNNUMBERED	541 Davis
SOF Ex.45	2013-06-14	E-mail from S. Menaged to D. Beauchamp, D. Chittick	DIC0000053 – 0000054	112 Beauchamp
SOF Ex.46	2014-01-15	E-mail exchanges between D. Beauchamp and B. Miller	DIC0007061 – 0007062	162 Beauchamp
SOF Ex.47	2013-08-26	D. Beauchamp handwritten notes	DIC0003481	134 Beauchamp
SOF Ex.48	2013-08-30	E-mail from T. Daniels to D. Chittick with attachment	BC_002021 – 002025	135 Beauchamp
SOF Ex.49	2013-03-17	E-mail from D. Chittick to D. Beauchamp re thx for coming	BC_001906	N/A
SOF Ex.50	2013-05-01	E-mail exchanges between D. Beauchamp and D. Chittick	DIC0003693 – 0003696	105A Beauchamp
SOF Ex.51	2013-08-30	Due Diligence folder materials	DIC0003427 – 0003442	136 Beauchamp

		<b>Index of Exhibits to Statement of Facts</b>		
<b>SOF Exhibit No.</b>	<b>Document Date</b>	<b>Description</b>	<b>Bates Number</b>	<b>Marked Deposition Exhibit</b>
SOF Ex.52	2013-05-01	Draft DenSco Confidential Private Offering Memorandum	DIC0003348 – 0003418	106 Beauchamp
SOF Ex.53	2013-05-01	Draft DenSco Confidential Private Offering Memorandum	DIC0003348 – 0003418	124 Beauchamp
SOF Ex.54	2014-04-24	DenSco Confidential Private Offering Memorandum dated July 2011	DIC0008731 – 0008800	100 Schenck
SOF Ex.55	2013-06-10	E-mail from D. Beauchamp to R. Pederson	DIC0003667 – 0003668	108 Beauchamp
SOF Ex.56	2013-06-11	E-mail exchanges between D. Beauchamp and D. Chittick	DIC0003637 – 0003639	110 Beauchamp
SOF Ex.57	2013-06-17	E-mail exchanges between D. Beauchamp and R. Wang	DIC0003616 – 0003620	114 Beauchamp
SOF Ex.58	2013-06-17	D. Beauchamp handwritten notes	DIC0003344	116 Beauchamp
SOF Ex.59	2013-06-17	E-mail from D. Beauchamp to R. Wang	DIC0003615	117 Beauchamp
SOF Ex.60	2013-06-17	Email from D. Beauchamp to Danny Chittick	BC_001959 - 001960	Part of Exhibit Beauchamp Exhibit 118
SOF Ex.61	2013-06-18	D. Beauchamp handwritten notes	DIC0003340 – 0003341	120 Beauchamp
SOF Ex.62	2013-06-21	E-mail exchanges between D. Beauchamp, R. Wang, K. Henderson, R. Endicott, G. Jensen	DIC0003655 – 0003657	122 Beauchamp
SOF Ex.63	2013-06-27	D. Beauchamp handwritten notes	DIC0003336; DIC0003338	126 Beauchamp
SOF Ex.64	2013-06-27	D. Beauchamp handwritten notes	DIC0003337	127 Beauchamp
SOF Ex.65	2013-06-27	E-mails from D. Chittick to D. Beauchamp	DIC0003572 – 0003573	128 Beauchamp
SOF Ex.66	2013-06-14	E-mail exchanges between D. Chittick and D. Beauchamp	DIC0003633 – 0003634; BC_001968 - 001978; BC_001966 - 001967; BC_001965; BC_001961 - 001962	113 Beauchamp
SOF Ex.67	2018-06-21	Beauchamp's Responses to First Set of Non-Uniform Interrogatories	UNNUMBERED	422 Beauchamp
SOF Ex.68	2013-03-25	Deed of Trust Andrew Lane Property	RECEIVER_001308 - 001319	103 Beauchamp
SOF Ex.69	2013-04-02	Deed of Trust on Andrew Lane Property	RECEIVER_001320 – 001324	104 Beauchamp
SOF Ex.70	2013-07-11	E-mail exchanges between D. Beauchamp and D. Chittick	DIC0003490 - 0003491	130 A Beauchamp
SOF Ex.71	2013-07-01	Draft DenSco Confidential Private Offering Memorandum with handwritten notes	DIC0003497 – 0003571	130 Beauchamp
SOF Ex.72	2013	2013 Journal	RECEIVER_000001 - 000043	20 Schenck

		<b>Index of Exhibits to Statement of Facts</b>		
<b>SOF Exhibit No.</b>	<b>Document Date</b>	<b>Description</b>	<b>Bates Number</b>	<b>Marked Deposition Exhibit</b>
SOF Ex.73	2013-09-12	E-mail exchanges between D. Beauchamp and D. Chittick	CH_0005451 – 0005453	136A Beauchamp
SOF Ex.74	2013-09-12	E-mail from D. Beauchamp to D. Chittick	CH_0000803 – 0000810	137 Beauchamp
SOF Ex.75	2013-09-12	E-mail from D. Chittick to D. Beauchamp	CH_0000816 – 0000818;	138 Beauchamp
SOF Ex.76	2013-12-18	E-mail from D. Chittick to D. Beauchamp	CH_0000708	139A Beauchamp
SOF Ex.77	2013-12-18	E-mail exchange between D. Chittick and D. Beauchamp	CH_0000636	140 Beauchamp
SOF Ex.78	2014-01-06	E-mail exchange between D. Beauchamp and L. Stringer	CH_0005550	141 Beauchamp
SOF Ex.79	2013-12-24	E-mail exchange between D. Chittick, D. Beauchamp and D. Schenck	CH_0010243 - 0010244	31 Schenck
SOF Ex.80	2013-12-18	E-mail exchange between D. Beauchamp and D. Schenck	CH_0000709 - 0000710	30 Schenck
SOF Ex.81	2014-02-15	E-mail exchanges between D. Beauchamp and D. Chittick	DIC0006797 – 0006798	350 Beauchamp
SOF Ex.82	2014	2014 Journal	RECEIVER_000044 - 000092	21 Schenck
SOF Ex.83	2014-01-17	E-mail exchange between D. Beauchamp and D. Schenck	CH_0005790 – 0005807	51 Schenck
SOF Ex.84	2016-12-23	Petition No. 15: Petition for Order Approving Receiver's Status Report	UNNUMBERED	479 Davis
SOF Ex.85	2014-01-05	Email exchange between D. Chittick and D. Beauchamp re this week	CH_0000852 - 0000853	N/A
SOF Ex.86	2014-01-06	E-mail exchange between D. Chittick and D. Beauchamp with attachment	CH_0000828 – 0000848	142 Beauchamp
SOF Ex.87	2014-01-06	D. Beauchamp handwritten notes	DIC0005405	143 Beauchamp
SOF Ex.88	2013-09-17	Colonial Dr. Deed of Trust	RECEIVER_000165 - 000176	28 Schenck
SOF Ex.89	2013-09-17	Colonial Dr. Mortgage	RECEIVER_000190	29 Schenck
SOF Ex.90	2013-09-19	E. Pratt Avenue #226 Deed of Trust	RECEIVER_001117 - 001122	N/A
SOF Ex.91	2014-01-09	E-mail from D. Beauchamp to L. Stringer	CH_0005916 – 0005920; CH_0010087	144 Beauchamp
SOF Ex.92	2014-01-09	D. Beauchamp handwritten notes	DIC0005403 – 0005404	145 Beauchamp
SOF Ex.93	2014-01-15	E-mail exchanges between D. Beauchamp and J. Goulder	DIC0007034 – 0007035	168 Beauchamp
SOF Ex.94	2014-02-25	E-mail exchange between D. Beauchamp and D. Chittick	DIC0006757 – 0006758	360 Beauchamp
SOF Ex.95	2014-02-26	E-mail exchange between D. Beauchamp and D. Chittick	CH_0002405	361 Beauchamp
SOF Ex.96	2014-02-26	E-mail exchange between D. Beauchamp and D. Chittick	DIC0006686 – 0006688	362 Beauchamp
SOF Ex.97	2014-02-26	E-mail exchange between D. Beauchamp and D. Chittick with handwritten notes	DIC0006679 – 0006681	363 Beauchamp

		<b>Index of Exhibits to Statement of Facts</b>		
<b>SOF Exhibit No.</b>	<b>Document Date</b>	<b>Description</b>	<b>Bates Number</b>	<b>Marked Deposition Exhibit</b>
SOF Ex.98	2014-02-26	E-mail exchange between D. Beauchamp and William Price	DIC0006689 - 006690	364 Beauchamp
SOF Ex.99	2014-04-11	Letter from J. Zaporowski to D. Chittick	DIC0005387; DIC0010731 - 0010834	97 Schenck
SOF Ex.100	2014-01-16	E-mail thread regarding revised term sheet	CH_0001015 - 0001021	43 Schenck
SOF Ex.101	2014-01-16	E-mail exchange between D. Chittick and D. Beauchamp	DIC0006242 – 0006244	45 Schenck
SOF Ex.102	2014-01-15	E-mail exchange between D. Beauchamp, D. Chittick, D. Schenck and L. Stringer with Term Sheet	DIC0007012 - 0007014; DIC0007512 - 007515	40 Schenck
SOF Ex.103	2014-01-15	E-mail from D. Beauchamp to D. Chittick with draft non-disclosure agreement	DIC0007032 - 007033; DIC0008586 - 0008590	39 Schenck
SOF Ex.104	2014-01-16	E-mail exchange between D. Chittick and D. Beauchamp	DIC0006236 – 0006238	44 Schenck
SOF Ex.105	2014-01-17	E-mail exchange between D. Chittick and D. Beauchamp	DIC0007521 - 0007525; CH_0001129 – 0001130; CH_0001135 - 0001136	192 Beauchamp
SOF Ex.106	2014-02-07	E-mail exchange between J. Goulder and D. Beauchamp	CH_0002045 – 0002079	70 Schenck
SOF Ex.107	2014-01-17	E-mail exchange between D. Chittick, D. Beauchamp, S. Menaged, J. Goulder	DIC0006441	191 Beauchamp
SOF Ex.108	2014-02-04	E-mail exchanges between D. Chittick and D. Beauchamp	DIC0006676 – 0006678	337 Beauchamp
SOF Ex.109	2014-02-09	E-mail exchange between D. Beauchamp and D. Chittick	DIC0006702 – 0006704	345 Beauchamp
SOF Ex.110	2014-02-11	D. Beauchamp handwritten notes	DIC0005410	347 Beauchamp
SOF Ex.111	2014-02-14	E-mail exchange between D. Beauchamp and D. Chittick	DIC0006803 – 0006806	75 Schenck
SOF Ex.112	2014-02-20	E-mail exchange between D. Beauchamp, R. Gordon, K. Wakim, J. Applebaum	DIC0006831 – 0006833	80 Schenck
SOF Ex.113	2014-04-16	Forbearance Agreement	DIC0010731 - 0010754	402 Beauchamp
SOF Ex.114	2014-02-20	D. Beauchamp handwritten notes	DIC0005444 – 0005447	352 Beauchamp
SOF Ex.115	2014-02-27	D. Beauchamp handwritten notes	DIC0005439	365 Beauchamp
SOF Ex.116	2014-03-04	E-mail exchange between D. Beauchamp and D. Chittick	DIC0006879 – 0006880	368 Beauchamp
SOF Ex.117	2014-03-07	E-mail exchange between L. Stringer, D. Chittick and cc D. Beauchamp	CH_0002938 – 0002973	370 Beauchamp
SOF Ex.118	2014-03-10	E-mail exchanges between D. Beauchamp and D. Chittick	DIC0006874 – 0006876	371 Beauchamp



		<b>Index of Exhibits to Statement of Facts</b>		
<b>SOF Exhibit No.</b>	<b>Document Date</b>	<b>Description</b>	<b>Bates Number</b>	<b>Marked Deposition Exhibit</b>
SOF Ex.119	2014-03-11	D. Beauchamp handwritten notes	DIC0005435 – 0005436	372 Beauchamp
SOF Ex.120	2014-03-13	E-mail exchange between D. Beauchamp and D. Chittick	DIC0006904 – 0006905	383 Beauchamp
SOF Ex.121	2014-03-14	E-mail exchange between D. Beauchamp and D. Chittick	CH_0002887 – 0002923	385 Beauchamp
SOF Ex.122	2014-03-17	E-mail exchanges between D. Beauchamp and D. Chittick	DIC0006976 – 0006978	386 Beauchamp
SOF Ex.123	2014-03-17	E-mail exchanges between D. Beauchamp and D. Chittick	DIC0006963 – 0006966	387 Beauchamp
SOF Ex.124	2014-03-17	E-mail exchange between D. Beauchamp and D. Chittick	CH_0002739 – 0002774	388 Beauchamp
SOF Ex.125	2014-03-18	E-mail exchanges between D. Beauchamp and D. Chittick	DIC0006958 – 0006960	389 Beauchamp
SOF Ex.126	2014-03-18	E-mail exchange between D. Beauchamp and D. Chittick	CH_0003746 – 0003782	390 Beauchamp
SOF Ex.127	2014-03-20	E-mail exchange between D. Beauchamp and D. Chittick	CH_0003696 – 0003714	391 Beauchamp
SOF Ex.128	2014-01-10	D. Beauchamp handwritten notes	DIC0005400 – 0005402	157 Beauchamp
SOF Ex.129	2014-01-12	E-mail exchanges between D. Chittick, S. Menaged, D. Beauchamp	DIC0007094 – 0007096	150 Beauchamp
SOF Ex.130	2014-01-13	E-mail exchanges between D. Chittick and D. Beauchamp	DIC0007084 – 0007087	151 Beauchamp
SOF Ex.131	2014-02-04	E-mail from D. Beauchamp to D. Chittick	DIC0006625 – 0006626	336 Beauchamp
SOF Ex.132	2014-02-21	D. Beauchamp handwritten notes	DIC0005442	357 Beauchamp
SOF Ex.133	2014-04-24	D. Beauchamp handwritten notes	DIC0005395	406 Beauchamp
SOF Ex.134	2014-04-24	E-mail exchange between D. Chittick and D. Beauchamp w/ POM	DIC0008660 – 0008730	99 Schenck
SOF Ex.135	2015-03-13	E-mail exchange between D. Chittick and D. Beauchamp	CHIT001885 – 001886	411 Beauchamp
SOF Ex.136	2015	2015 Journal	RECEIVER_000093 - 000135	22 Schenck
SOF Ex.137	2015-03-13	E-mail exchange between D. Chittick and S. Menaged	CHIT001879 – 001880	412 Beauchamp
SOF Ex.138	2016-07-27	Letter to Investors	DIC0009469 - 0009475	414 Beauchamp
SOF Ex.139	2013-08-06	Messner Way Mortgage	RECEIVER_000204	27 Schenck
SOF Ex.140	2014-01-09	E-mail exchange between D. Chittick and D. Beauchamp	CH_0001494 – 0001495; CH_0001502 - 0001503; DIC0007125 - 0007126	147 Beauchamp
SOF Ex.141	2014-01-17	E-mail exchange between D. Beauchamp and R. Anderson	CH_0001445 – 0001465	53 Schenck
SOF Ex.142	2018-06-21	Robert G. Anderson Deposition Transcript excerpts	UNNUMBERED	N/A
SOF Ex.143	2016-09-16	Receiver's Preliminary Report	UNNUMBERED	323 Beauchamp

		<b>Index of Exhibits to Statement of Facts</b>		
<b>SOF Exhibit No.</b>	<b>Document Date</b>	<b>Description</b>	<b>Bates Number</b>	<b>Marked Deposition Exhibit</b>
SOF Ex.144	2016-07-30	D. Beauchamp handwritten notes	DIC0010941	416 Beauchamp
SOF Ex.145	2016-07-31	Email exchange between D. Beauchamp and R. Koehler re Densco Meeting	DIC0011907 - 0011908	N/A
SOF Ex.146	2016-07-31	E-mail exchange between D. Beauchamp and S. Heuer	DIC0011893 – 0011894	420 Beauchamp
SOF Ex.147	2016-08-01	E-mail exchange between S. Heuer and D. Beauchamp	DIC0011892	206 Beauchamp
SOF Ex.148	2016-08-01	D. Beauchamp handwritten notes	DIC0010937 – 0010939	207 Beauchamp
SOF Ex.149	2016-08-02	D. Beauchamp handwritten notes	DIC0010936	211 Beauchamp
SOF Ex.150	2016-08-04	Letters of Appointment of Personal Representative and Acceptance	CH_0010225 – 0010226	216 Beauchamp
SOF Ex.151	2016-08-03	E-mail exchange between S. Heuer and D. Beauchamp	DIC0011830 – 0011833	214 Beauchamp
SOF Ex.152	2016-08-04	E-mail exchange between D. Beauchamp, R. Koehler, S. Heuer	DIC0010341 – 0010342	218 Beauchamp
SOF Ex.153	2016-08-05	E-mail exchange between S. Heuer and D. Beauchamp	DIC0010248	223 Beauchamp
SOF Ex.154	2016-08-07	E-mail exchange between S. Heuer and D. Beauchamp	DIC0010151	233 Beauchamp
SOF Ex.155	2016-08-07	E-mail exchange between S. Heuer and D. Beauchamp	DIC0010150	234 Beauchamp
SOF Ex.156	2016-08-08	E-mail exchange between S. Heuer and D. Beauchamp	DIC0010077 - 0010079	240 Beauchamp
SOF Ex.157	2016-08-08	E-mail exchange between S. Heuer and D. Beauchamp	DIC0010075 – 0010076	241 Beauchamp
SOF Ex.158	2016-08-08	D. Beauchamp handwritten notes	DIC0010917	242 Beauchamp
SOF Ex.159	2016-08-08	E-mail exchange between S. Heuer and D. Beauchamp	DIC0010074	243 Beauchamp
SOF Ex.160	2016-08-08	E-mail exchange between S. Heuer and D. Beauchamp	DIC0010071 – 0010073	244 Beauchamp
SOF Ex.161	2016-07-31	E-mail exchange between D. Beauchamp, R. Koehler, S. Heuer	DIC0011899 – 0011900	418 Beauchamp
SOF Ex.162	2016-07-31	E-mail exchange between S. Heuer and D. Beauchamp	DIC0011897 – 0011898	419 Beauchamp
SOF Ex.163	2016-08-03	E-mail exchange between D. Beauchamp and investors	DIC0011836 – 0011838	213 Beauchamp
SOF Ex.164	2016-08-15	E-mail between D. Beauchamp and G. Clapper	DIC0011373 - 0011375	283 Beauchamp
SOF Ex.165	2016-08-17	Declaration of David Beauchamp	DIC0010609 – 0010610; DIC0011416 - 0011417	297 Beauchamp
SOF Ex.166	2016-08-21	E-mail between D. Beauchamp and R. Brinkman	DIC0011813 - 0011815	305 Beauchamp
SOF Ex.167	2017-02-08	E-mail D. Beauchamp to R. Anderson and cc to M. Sifferman et al.	CH_0010428 - 0010432	457 Sifferman
SOF Ex.168	2014-02-06	E-mail exchange between D. Beauchamp and D. Chittick	CH_0002024 – 0002032	338 Beauchamp

		<b>Index of Exhibits to Statement of Facts</b>		
<b>SOF Exhibit No.</b>	<b>Document Date</b>	<b>Description</b>	<b>Bates Number</b>	<b>Marked Deposition Exhibit</b>
SOF Ex.169	2014-02-06	E-mail exchange between D. Beauchamp and D. Chittick	CH_0002017 – 0002021	339 Beauchamp
SOF Ex.170	2014-02-06	E-mail exchange between D. Beauchamp and D. Chittick	CH_0001928; CH_0001930 – 0001953	340 Beauchamp
SOF Ex.171	2014-04-16	Authorization to Update Forbearance Documents	DIC0010801 - 0010806	410 Beauchamp
SOF Ex.172	2017-06-22	Clark Hill letter and two proofs of claims filed with Receiver	UNNUMBERED	425 Beauchamp
SOF Ex.173	2016-08-10	Beauchamp letter to W.Coy	CH_0009195 – 0009196	434 Beauchamp
SOF Ex.174	2016-08-12	E-mail exchange between D. Beauchamp and J. Polese	DIC0009581 – 0009584	278 Beauchamp
SOF Ex.175	2016-08-17	E-mail exchange between K. Merritt, D.Beauchamp and J. Polese	CH_0014225 – 0014227	435 Beauchamp
SOF Ex.176	2016-08-17	E-mail exchange between D. Beauchamp, K. Merritt and J. Polese	CH_0014215 - 0014217	436 Beauchamp
SOF Ex.177	2016-08-16	E-mail thread D. Beauchamp, Kevin Merritt, S. Heuer	DIC0011507 - 0011508	447 Heuer
SOF Ex.178	2016-09-12	E-mail between D. Beauchamp and K. Merritt	DIC0010527 - 0010528	465 Sifferman
SOF Ex.179	2016-09-14	E-mail between D. Beauchamp and K. Merritt	DIC0010509 - 0010511	466 Sifferman
SOF Ex.180	2016-09-23	E-mail between D. Beauchamp and K. Merritt	DIC0010463 - 0010464	468 Sifferman
SOF Ex.181	2016-08-29	E-mail from J. Campanaro to D. Beauchamp regarding demand for turnover letter	CH_0008054 - 0008066	463 Sifferman
SOF Ex.182	2016-12-09	Notice of Claim Against Estate of Denny J. Chittick	UNNUMBERED	480 Davis
SOF Ex.183	2017-10-10	Order re: Petition No. 35 - Ex Parte Petition Seeking Approval for Receiver to File Complaint Against Clark Hill PLC and David Beauchamp	UNNUMBERED	N/A
SOF Ex.184	2017-09-28	Petition No. 37 - Petition for Approval of Receiver's Final Recommendations Approving Claims in Densco Receivership	UNNUMBERED	N/A
SOF Ex.185	2017-12-26	Petition No. 50: Petition for Order Approving Receiver's Status Report	UNNUMBERED	534 Davis
SOF Ex. 186	2014-02-04	Beauchamp email to Schenck re Forbearance Agreement	CH_0006694 - 006708	334 Beauchamp

# **Exhibit No. 3**

Densco Investment Corp.

DenSco / Page 1 of 1  
2013  
pom



## Company Management

**Denny J. Chittick** is the 100% owner and officer of **DenSco Investment Corporation**.

I have a Bachelor of Science in Finance from Arizona State University. I worked for nearly 10 years at **Insight Enterprises Inc.**, holding many different positions and managing nearly all facets of the business at one time or another.

I became involved in this type of company by investing money in an entity like mine. After being both happy with my investment and intrigued with the niche service that it provides, I decided to start my own company. I started with my own money and slowly grew the business over the years. I'm starting my 10th year in business. I've completed over 2000 transactions for a total value in loans approaching a quarter billion dollar, yes that's billion with a "B". Because of the longevity in the business I've made many contacts in all aspects of the business and enjoy the ability to decide who I want to work with.

There has been a great deal of turmoil in the industry over the last few years. Although I've not come through it completely unscathed, I've been able to maintain my commitment to my investors by continuing the rate of return on their investment they have come to expect. Looking in to the future, I'm more optimistic in continuing this record.

[Home](#)  
[Business Plan](#)  
[Investor Requirements](#)  
[List of Properties](#)  
[Quarterly Newsletter](#)  
[Company Management](#)  
[Lending Guidelines](#)  
[Contact](#)

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[Home](#) | [Business Plan](#) | [Investor Requirements](#)  
[List of Properties](#) | [Quarterly Newsletter](#) | [Contact](#)  
[Company Management](#) | [Lending Guidelines](#)

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## *Lending Guidelines*

Maricopa and Pinal County ONLY!

### **First Position ONLY!**

DenSco will lend up to 60% to 70% of the value of property

- Value considered after fix up is complete
- Appraisal not necessary

MINIMUM of 15% to 20% down

Interest Rate is 18% per annum

- Monthly interest only payments

90 to 180 Day Note

No Points, Fee, Closing Costs or Pre-Payment Penalties

#### Prepared Documents

- Deed of Trust
- Promissory Note
- Personal Guarantee
- Receipt & Mortgage (if necessary)

#### Title Insurance

- Not necessary if home is purchased through Trustee Sale
- Title Insurance (ALTA Policy) is necessary if bought any other way

#### Insurance

- House must be insured
  - a) DenSco Investment Corp must be named as Co-Beneficiary or Mortgagee
  - b) Must cover replacement cost in case of fire
  - c) Must have Liability
    - For Home: 100k recommended
    - If home has pool: 300k recommended

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[Home](#) | [Business Plan](#) | [Investor Requirements](#)  
[List of Properties](#) | [Quarterly Newsletter](#) | [Contact](#)  
[Company Management](#) | [Lending Guidelines](#)

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## Quarterly Newsletter

3-31-13

[Home](#)  
[Business Plan](#)  
[Investor Requirements](#)  
[List of Properties](#)  
[Quarterly Newsletter](#)  
[Company Management](#)  
[Lending Guidelines](#)  
[Contact](#)

We stumbled into the New Year awaiting our politicians to solve the crisis they created, and they didn't disappoint us! They didn't solve the problem, they just broken their arms pointing their fingers at each other and doing what the Europeans have perfected, kicking the can down the road. Now this quarter we've watched them create yet another ordeal, "sequester". So if you had a \$100 budget and had to cut \$3, would it send you to the poor house? I think not. Though listening to them, you would have thought we would be pulled back into another recession.

If you have been watching any of the numbers coming out lately, so far all this government nonsense has had zero affect, unemployment is down, job growth is up, GDP could be 2 to 2.5% this quarter, the stock market is hitting new highs. All while yet another country, Cyprus, is the latest Euro bailout victim. Yet presently no one cares state side. We are powering ahead. We are by far the strongest economy in the world right now. The two biggest industries in America (autos and home building) are ramping up. They have the largest affect on the economy. The third and most surprising industry that is taking the country by storm is our own energy industry.

The autos built 14.5 million new cars in 2012, this year, they are predicting 15.5 million. The peak was 17 million pre-recession, the trough of the recession a little under 11. We are also producing a higher percentage of the cars here in American, which is due to cheaper energy costs. The housing industry averages building 1.3 million new homes. We bottomed at 350k, and the smart guys are saying we could hit 1 million this year. The energy boom that we are experiencing is so unprecedented, that T-Boone Pickens said just 3 years ago, the only way we could become North American energy independence is either by not burning gas in cars or the US becoming as big an oil producer as Saudi Arabia. Well we are still using gas, but they are saying we could be energy independent by 2020! Staggering! That's even happening with an administration that isn't supporting it!

All three of these macro positive trends have a huge impact on the economy this will drive us out of this slow recover and force Uncle Ben to change his interest rate stance much sooner than 2015. I could even see it by the end of this year. Why are these important to us in AZ land? A strong economy creates confidence, job growth, rising incomes and thus allows more people to want to purchase a home. We've had several years now



that have retarded growth in home buying. The first time home buyers nearly disappeared. They are coming back now. There is big pent up demand. The other segment is the folks moving up. They are starting to buy again. Our always over accommodating government trying to help out the common man has created a chart that describes how soon they can get a new house loan when a person was foreclosed on or had a short sale on their record. They now can receive a government backed loan. It's higher than the best borrowers can borrow at, but because of the artificially low interest rates caused by the Fed's assets purchases, they can get a loan at 5.5% versus best borrowers getting 3.5%. How many times would you kill for 5.5% mortgage rate? That's with having a foreclosure on your record three years ago!

The Phoenix housing market is being affected not only by the above macro issues, but by simply econ 101. It is Supply and Demand. We have strong demand and not enough supply. We also have been the major focus of hedge funds buying thousand of houses all of last year. Most of them have exited the market and headed to Atlanta. That moved us through probably 18 months ahead of absorbing the inventory of foreclosures. I've been tracking the numbers on MLS for years; the supply always dips from Christmas to the super bowl then jumps in to the spring selling season. This is the first time I've seen it continue to fall. Now in March, we are down from January. Average prices jumped 35% last year. I had mentioned that was because the bottom of the market, sub 50k was dominating. To give you an idea, a typical month had 30-50% of all transactions were under 50k. That's 2000 to 3000 transactions. In January it was 300. Thus the average is going to go up because there aren't any transactions on the bottom end anymore. We should easily see 20-25% up this year. We are seeing the strongest part of the market 250k-500k. The monthly payment to own a home in this price range now, costs the same as a house in the 100k to 200k range just a few years ago.

We have the opposite problem currently than we've had for 7 years, not enough homes! Foreclosures are off by 40% or more. Within another three months we will be back to what you would expect in a typical healthy market. So we've completely recovered. The challenge now is to find homes to buy. My borrowers are constantly battling this issue. Thankfully many flippers have left the market. The undercapitalized and the part timers, you just can't make it anymore. The borrowers that I work with do this full time and have networks of relationships to find properties. They are also resourceful enough to find alternative avenues to purchasing homes other than the traditional auction or repo process.

I have \$47.2 million in the portfolio now. A few of



those millions are temporary so don't be surprised if we are flat or down next quarter.

I have updated the pictures of the current sampling of properties on the website. I'm quite optimistic about this year and glad to move into such a positive market. I thank you again for your trust, investment, and confidence.

Denny J. Chittick

Previous newsletters:

<a href="#"><u>9-30-01</u></a>	<a href="#"><u>12-31-01</u></a>	<a href="#"><u>3-30-02</u></a>	<a href="#"><u>6-30-02</u></a>
<a href="#"><u>9-30-02</u></a>	<a href="#"><u>12-30-02</u></a>	<a href="#"><u>3-31-03</u></a>	<a href="#"><u>6-30-03</u></a>
<a href="#"><u>9-30-03</u></a>	<a href="#"><u>12-31-03</u></a>	<a href="#"><u>3-31-04</u></a>	<a href="#"><u>6-30-04</u></a>
<a href="#"><u>9-30-04</u></a>	<a href="#"><u>12-31-04</u></a>	<a href="#"><u>3-31-05</u></a>	<a href="#"><u>6-30-05</u></a>
<a href="#"><u>9-30-05</u></a>	<a href="#"><u>12-31-05</u></a>	<a href="#"><u>3-31-06</u></a>	<a href="#"><u>6-30-06</u></a>
<a href="#"><u>9-30-06</u></a>	<a href="#"><u>12-31-06</u></a>	<a href="#"><u>3-31-07</u></a>	<a href="#"><u>6-30-07</u></a>
<a href="#"><u>9-30-07</u></a>	<a href="#"><u>12-31-07</u></a>	<a href="#"><u>3-31-08</u></a>	<a href="#"><u>6-30-08</u></a>
<a href="#"><u>9-30-08</u></a>	<a href="#"><u>12-31-08</u></a>	<a href="#"><u>3-31-09</u></a>	<a href="#"><u>6-30-09</u></a>
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<a href="#"><u>9-30-11</u></a>	<a href="#"><u>12-31-11</u></a>	<a href="#"><u>3-31-12</u></a>	<a href="#"><u>6-30-12</u></a>
<a href="#"><u>9-30-12</u></a>	<a href="#"><u>12-31-12</u></a>		

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## Investor Requirements

There is a page of legal definitions explaining each and every one of these types of investors. I will save you the legal wording and keep it simple. You can look at the Subscription document and/or the Memorandum for all the lawyer-speak.

[Home](#)

[Business Plan](#)

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1. a bank
2. a private business development company
3. a corporation, business trust or partnership with assets in excess of \$5,000,000
4. a director or executive officer of the Company (that's me)
5. a person whose individual net worth, or joint net worth with spouse exceeds \$1,000,000 (excluding personal residence)
6. a person who had an individual income in excess of \$200,000 in each of the last two years, or joint income with spouse in excess of \$300,000, and a reasonable expectation of continuing at that income level.
7. a trust with total assets in excess of \$5,000,000
8. an entity in which all of the equity owners are accredited investors (defined in 5 and 6)

This is the abbreviated description of each one of these entities and individuals. A longer and more complete description is in the Subscription Agreement and Memorandum.

[Back to the top ...](#)

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[Home](#) | [Business Plan](#) | [Investor Requirements](#)  
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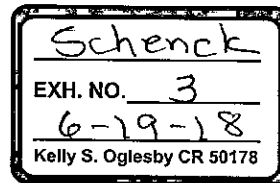
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# **Exhibit No. 4**

## David G. Beauchamp

Member



**David G. Beauchamp** practices primarily in the areas of corporate law, securities, venture capital and private equity transactions with an emphasis on financing, acquiring or developing rapid growth companies in the areas of technology, biotechnology, aerospace and other emerging growth industries in the United States and overseas. He represents both venture capital/private capital, as well as private and publicly traded companies with potential for rapid growth.

David represents venture capital and private funds in their efforts to raise funds ranging from a couple million dollars to hundreds of million and in the subsequent investment of those funds. He also represents entrepreneurs and growth companies, and has documented mergers, acquisitions and private and public offerings for companies to raise funds well in excess of \$100 million. David has represented management, investors and financial sources in a wide variety of LBO and MBO acquisitions and ESOP transactions. He has represented borrowers and related beneficiaries in structuring and documenting various public bond financings. In the last twenty plus years, he has prepared or been involved in the preparation and documentation of several hundred private offerings of securities. While David focuses on financings for high technology and biotechnology companies, clients have included manufacturing, aerospace, telecommunication, health management, software, restaurant, retail, service and real estate companies.

David is active in structuring and documenting financial investments, including warrants, shareholder agreements, voting agreements, limited liability company operating agreements, stock options plans, executive compensation plans, joint ventures, licensing agreements and routine business contracts. He has structured and documented sophisticated cross-border transactions and complex purchase agreements and financings for private equity and venture capital funds.

### Speaking Engagements

- Testified before the Arizona Senate Finance Committee on several occasions concerning proposed legislation affecting Research & Development and Capital Formation Issues, 2008, 2011, 2012, and 2013.
- Appeared on the "Horizon" public television show to discuss a Fund of Funds proposal and various other legislative proposals to enhance capital availability for growth stage companies in Arizona, 2012.



### Office

#### Phoenix

14850 N. Scottsdale Rd  
Suite 500  
Scottsdale, AZ 85254

Phone: 480.684.1126

Email:

dbeauchamp@clarkhill.com

### Practice Areas

Corporate Law  
Environment, Energy &  
Natural Resources

### Areas of Emphasis

Corporate Finance  
Emerging  
Growth/Venture Capital  
Mergers & Acquisitions  
Private Equity

### Services

E2: Emerging Enterprises

### Education

- "Solar in Action," Panel Moderator at Arizona Solar Manufacturing Symposium, 2010.
- "Introduction to the Arizona Fund of Funds," Arizona Technology Council and Phoenix M&A Roundtable, 2010.
- "Arizona's Technology Industries 'Past, Present & Future,' What it Means to Mergers & Acquisitions and our State's Future," Phoenix M&A Roundtable, 2009.
- "Business Law Updates," American Society of Women Accountants, 2008.
- "Capital & Commercialization," discussing technology development and status of capital formation in Arizona, presented to the "Arizona Competitiveness Group" and Arizona economic development leaders, 2007.
- "Building a BioTech Company: Achieving the Right Balance," Arizona BioExpo, 2003.
- "Recent Capital Formation Efforts in AZ and Strategy to Fund New BioTech Companies," The Arizona Chamber of Commerce Economic Development Committee, 2002.

## News

Chambers USA Names Thirteen Clark Hill Attorneys "Leaders in their Field" for 2014

Clark Hill Continues to Grow with the Addition of Arizona Corporate Attorney David G. Beauchamp

J.D., cum laude,  
University of Michigan  
Law School, Ann Arbor,  
Michigan, 1981

M.P.P., University of  
Michigan, Ann Arbor,  
Michigan, 1980

A.B., with distinction,  
University of Michigan,  
Ann Arbor, Michigan,  
1978

## State Bar Licenses

Arizona

## Court Admissions

U.S. District Ct., District of  
Arizona

## Membership

American Bar Association

Arizona Bar Association

Maricopa County Bar  
Association

Chambers and Partners  
USA

AB Top Lawyers

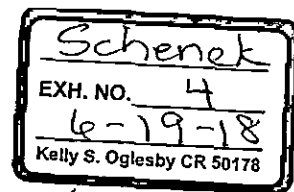
Arizona Chamber of  
Commerce and Industry

Arizona Technology  
Council (Member of  
Board of Directors,  
Co-Chair of Capital  
Formation Committee  
and Member of Public  
Policy Committee)

Greater Phoenix  
Economic Council  
(Certified Ambassador

and International  
Leadership Council)  
Valley Leadership (Class  
XV)  
Enterprise Network  
Phoenix Mergers &  
Acquisitions Roundtable

# **Exhibit No. 5**



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MAR 12 2018

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Marvin C. Ruth (024220)  
2 Vidula U. Patki (030742)  
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mruth@cblawyers.com  
6 vpatki@cblawyers.com

7 *Attorneys for Defendants*

8  
9 SUPERIOR COURT OF ARIZONA  
10 COUNTY OF MARICOPA

11 Peter S. Davis, as Receiver of DenSco  
Investment Corporation, an Arizona  
12 corporation,

13 Plaintiff,

14 v.

15 Clark Hill PLC, a Michigan limited liability  
company; David G. Beauchamp and Jane  
16 Doe Beauchamp, husband and wife,

17 Defendants.

No. CV2017-013832

DEFENDANTS' INITIAL RULE 26.1  
DISCLOSURE STATEMENT

18 Defendants Clark Hill PLC, David G. Beauchamp and Jane Doe Beauchamp  
19 (collectively, "Defendants") provide this initial disclosure statement according to Arizona  
20 Rule of Civil Procedure 26.1. Defendants reserve the right to amend or supplement this  
21 disclosure statement as discovery progresses.

22 This case is in its infancy and thus the content of this disclosure statement is  
23 preliminary and subject to supplementation, amendment, explanation, change and  
24 amplification. Because the parties have just commenced discovery, there may be  
25 information, documents, and materials related to the various allegations and defenses set forth  
26 in the pleadings of which Defendants are presently unaware. Defendants note that they do



1 not currently have access to all potentially relevant documents of the Plaintiff, or third parties,  
2 and that this disclosure statement is based upon information currently available to  
3 Defendants. Nothing in this disclosure statement is intended to be an admission of fact, an  
4 affirmation of the existence of any document, or an agreement with or an acceptance of any  
5 legal theory or allegation. The information set forth below is provided without waiving (1)  
6 the right to object to the use of such information for any purpose in this or any other action  
7 due to applicable privilege (including the work-product and attorney-client privileges),  
8 materiality, or any other appropriate grounds; (2) the right to object to any request involving  
9 or relating to the subject matter of the information in this disclosure statement; or (3) the right  
10 to revise, correct, supplement or clarify any of the information provided below. If any part  
11 of this statement is ever read to the jury, fairness would require that the jury be read this  
12 introductory statement and any supplementation, amendments, explanation, changes or  
13 amplifications which may occur or be filed subsequent to this disclosure statement.

14 Defendants also incorporate by reference into this disclosure statement all  
15 interrogatory answers, responses to requests for production, responses to requests for  
16 admission, other discovery and disclosure statements and supplements thereto in this action,  
17 and all transcripts of any deposition taken in this action and any exhibits thereto.

18 **I. FACTUAL BASIS OF CLAIMS AND DEFENSES.**

19 **A. Retention/Scope of Work**

20 For more than 35 years, since graduating with honors from the University of Michigan  
21 Law School in 1981, David Beauchamp has represented his clients in the areas of corporate  
22 law, securities, venture capital, and private equity with distinction and integrity.

23 One of those clients was DenSco Investment Corporation ("DenSco"), a company  
24 solely owned and managed by Denny Chittick. DenSco raised money from investors by  
25 issuing general obligation notes to those investors at interest rates that varied depending on  
26 the note's maturity date. DenSco then invested those funds primarily by making high interest

1 short-term loans to borrowers buying residential properties out of foreclosure, which loans  
2 were intended to be secured by deeds of trusts on those properties. Mr. Beauchamp started  
3 providing securities advice to DenSco in the early 2000s, while he was a partner at the law  
4 firm Gammage & Burnham. DenSco followed Mr. Beauchamp as a client when he left  
5 Gammage to join the law firm Bryan Cave in March 2008, and again when Mr. Beauchamp  
6 left Bryan Cave to join Clark Hill in September 2013.

7 Although the various firms' engagement letters with DenSco only specifically  
8 identified DenSco as the client, DenSco could not operate or engage with legal counsel  
9 except through its president and sole owner, Mr. Chittick. DenSco had no other employees;  
10 Mr. Chittick was responsible for all aspects of DenSco's business, and Mr. Chittick  
11 understood that Mr. Beauchamp, as an incident to Mr. Beauchamp's representation of  
12 DenSco, was also representing Mr. Chittick in his capacity as president of DenSco. The  
13 investors understood that as well. The private offering memoranda DenSco provided state  
14 that "legal counsel to the Company will represent the interests solely of the Company and its  
15 President, and will not represent the interests of any investor."

16 Shortly after Mr. Chittick's death, and in the midst of a chaotic time dealing with the  
17 fallout of his passing, Mr. Beauchamp stated in an August 10, 2016 letter to an Arizona  
18 Corporation Commission subpoena to Mr. Chittick that he had "not previously represented  
19 Denny Chittick" and that the ACC would need to request the personal information it sought,  
20 including Mr. Chittick's personal tax returns, from counsel for Mr. Chittick's estate. To the  
21 extent that Mr. Beauchamp's statement was not clear or that any clarification was necessary,  
22 Mr. Beauchamp averred in an August 17, 2016 declaration under oath that he represented  
23 DenSco and "Mr. Chittick as the President of DenSco." Mr. Beauchamp did not represent  
24 Mr. Chittick outside of his role as a corporate officer at DenSco.

25 Until mid- 2013, Mr. Beauchamp's work as DenSco's securities counsel included,  
26 among other things, drafting DenSco's Private Offering Memoranda and related investor

1 documents; advising DenSco regarding Blue Sky laws and state and federal securities  
2 reporting and filing requirements; advising DenSco as to the rules and regulations  
3 promulgated by state financial and lending authorities; and advising DenSco regarding the  
4 applicability of mortgage broker regulations. At times, it would also involve answering  
5 DenSco's questions regarding its Reg D filings and obligations. Although Mr. Beauchamp  
6 helped DenSco file its first set of Reg D documents in 2003, Mr. Chittick told Mr.  
7 Beauchamp thereafter that he did not want to pay a lawyer to review and file the Reg D  
8 documents, and that Mr. Chittick would take on that responsibility himself. That was not a  
9 surprising request, as Mr. Chittick repeatedly instructed Mr. Beauchamp to keep legal fees  
10 to a minimum. Consequently, although Mr. Beauchamp's paralegal initially helped Mr.  
11 Chittick understand the filing process and obtain access to the EDGAR filing site, in  
12 accordance with his client's wishes Mr. Beauchamp did not review DenSco's Reg D filings.

13       The scope of Mr. Beauchamp's representation of DenSco and its president was  
14 narrow. Further, the relationship was friendly, but professional. Mr. Beauchamp did not go  
15 to dinner or vacation with Mr. Chittick or his family. They did not play golf or otherwise  
16 socialize together.

17       Over the years, Mr. Chittick showed himself to be a trustworthy and savvy  
18 businessman, and a good client. He was devoted to his business and investors, many of  
19 whom were friends and family. Despite often complaining about the cost of legal services,  
20 Mr. Chittick appeared to follow Mr. Beauchamp's advice and provided information when  
21 asked for it. Further, Mr. Beauchamp understood that DenSco utilized an outside accountant,  
22 David Preston, to review DenSco's books and records and file its tax returns. At no point  
23 did Mr. Beauchamp serve as DenSco's general corporate counsel, nor was Mr. Beauchamp  
24 engaged to review or approve DenSco financial statements or tax returns or to investigate  
25 borrowers.

26

1           **B.     The Private Offering Memoranda**

2           Mr. Beauchamp advised DenSco regarding its Private Offering Memoranda  
3 ("POMs"), which DenSco generally updated every two years. He helped draft the 2003,  
4 2005, 2007, 2009, and 2011 POMs. The POMs, however, had similar provisions and  
5 generally described DenSco's historical performance based on information provided by Mr.  
6 Chittick; set forth Mr. Chittick's authority to determine DenSco's "major business decisions  
7 and policies", and to make, amend, or deviate from those policies in Mr. Chittick's sole  
8 discretion; and set forth DenSco's aspirational lending standards (including its intent to  
9 "maintain a loan-to-value ratio below 70%" for both individual trust deeds DenSco  
10 purchased and the aggregate loan portfolio, as well as its intent to "achieve a diverse  
11 borrower base" with no borrower comprising more than 10-15% of the portfolio).

12           In early summer 2013, Mr. Beauchamp advised DenSco that it needed to update its  
13 2011 POM given the passage of time and changes in the scope of DenSco's fund raising. In  
14 particular, based on Mr. Chittick's representations to Mr. Beauchamp, DenSco either had or  
15 would soon eclipse the \$50 million maximum offering set forth in the 2011 POM.  
16 Consequently, Mr. Beauchamp began drafting revisions to the 2011 POM, which included  
17 updates to the maximum offering and updates on DenSco's performance to date, among other  
18 revisions. Mr. Beauchamp, however, was never able to finalize the 2013 POM. Although  
19 Mr. Beauchamp asked for updated investment, loan and financial information regarding  
20 DenSco, Mr. Chittick stalled on providing the information, preferring to wait until after he  
21 scaled down the amount outstanding to investors. Mr. Beauchamp repeatedly advised  
22 DenSco that an update was necessary irrespective of DenSco's plans regarding the  
23 outstanding amount of its offerings, but Mr. Chittick continued to delay.

24           **C.     The FREO Lawsuit**

25           On May 24, 2013, Easy Investments, an entity owned by Yomtov "Scott" Menaged  
26 ("Menaged"), DenSco, and Ocwen Loan Servicing, were sued by FREO Arizona, LLC

1 ("FREO") regarding liens recorded by Easy Investments in favor of DenSco and Active  
2 Funding Corporation, on a parcel of property. In a June 14, 2013 email from Mr. Chittick to  
3 Mr. Beauchamp, Mr. Chittick explained that Easy Investments had purchased a property at  
4 a trustee's sale using a DenSco loan, which had apparently been previously purchased by  
5 FREO, leading to a dispute. A review of the partial Complaint provided to Mr. Beauchamp  
6 confirms Mr. Chittick's description. According to its allegations, the loan servicer, Ocwen,  
7 failed to cancel a trustee's sale and release the deed of trust after FREO had paid off the debt  
8 and acquired the property, thereby allowing Easy Investments to purchase the property again  
9 with DenSco's funds. Contrary to the allegations in the Receiver's Complaint, the FREO  
10 lawsuit did not concern lien priority or double lien issues. Moreover, a review of the docket  
11 reveals that Easy Investments prevailed in the FREO lawsuit when the Court granted  
12 summary judgment in favor of Easy Investments and against both FREO and Ocwen (for  
13 breach of its duties) on December 6, 2013.

14 Further, although Mr. Chittick forwarded a portion of the Complaint to Mr.  
15 Beauchamp, Mr. Chittick did not ask Mr. Beauchamp to represent DenSco in the litigation;  
16 nor did he ask Mr. Beauchamp to investigate the factual allegations in the Complaint. To  
17 the contrary, he expressly stated that he merely wanted Mr. Beauchamp to "be aware" of the  
18 lawsuit. Consequently, although Mr. Beauchamp ran the matter through Bryan Cave's  
19 conflict system pursuant to standard firm procedure, Mr. Beauchamp did not represent  
20 DenSco in the litigation and did not conduct any further investigation into its merits given  
21 his client's instruction not to get involved.

22 Mr. Beauchamp did, however, explain to Mr. Chittick that this lawsuit would need to  
23 be disclosed in DenSco's 2013 POM. In addition, Mr. Beauchamp advised Mr. Chittick, as  
24 he had done previously, that Mr. Chittick needed to fund DenSco's loans directly to the  
25 trustee or escrow company conducting the sale, rather than provide loan funds directly to the  
26 borrower, to ensure that DenSco's deed of trust was protected. Mr. Chittick, however,

1 explained to Mr. Beauchamp that this was an isolated incident with a borrower, Menaged,  
2 whom Mr. Chittick described in his email as someone he had "done a ton of business  
3 with...hundreds of loans for several years...."

4 **D. Mr. Beauchamp leaves Bryan Cave, hears nothing from Mr. Chittick for**  
5 **months.**

6 Mr. Beauchamp left Bryan Cave at the end of August 2013. Prior to his departure,  
7 Mr. Beauchamp had repeatedly made clear to DenSco and Mr. Chittick that they needed to  
8 update DenSco's POM. On August 30, 2013, Mr. Beauchamp and Bryan Cave sent Mr.  
9 Beauchamp's clients, including DenSco, a joint separation letter informing them that Mr.  
10 Beauchamp was joining Clark Hill effective as of September 1, 2013. The letter invited  
11 those clients to either request the transition of their files to Mr. Beauchamp or affirmatively  
12 request that the files remain at Bryan Cave. Mr. Chittick initially agreed to transfer a portion  
13 of DenSco's files to Clark Hill, but aside from DenSco's authorization letter, Mr. Beauchamp  
14 never heard from Mr. Chittick regarding the unfinished 2013 POM, or any other matter, until  
15 December 2013.

16 **E. DenSco contacts Mr. Beauchamp in late 2013, slowly reveals scope of**  
17 **Menaged issues over several months**

18 In December 2013, Mr. Chittick contacted Mr. Beauchamp for the first time in  
19 months. He told Mr. Beauchamp over the phone that he had run into an issue with some of  
20 his loans to Menaged, and specifically, that properties securing a few DenSco loans were  
21 each subject to a second deed of trust competing for priority with DenSco's deed of trust.  
22 Mr. Beauchamp reminded Mr. Chittick that he still needed to update DenSco's private  
23 offering memorandum. After briefly discussing the allegedly limited double lien issue, Mr.  
24 Chittick emphasized to Mr. Beauchamp that Mr. Chittick wanted to avoid litigation with  
25 other lenders. Mr. Chittick, however, did not request any advice or help. Accordingly, Mr.  
26 Beauchamp suggested that Mr. Chittick develop and document a plan to resolve the double  
liens, and nothing more came of the conversation.

1 Mr. Chittick vastly understated the scope of the problem. On January 6, 2014,  
2 Attorney Bob Miller at Bryan Cave sent Mr. Chittick a letter on behalf of various lenders  
3 (the "Miller Lenders"). The letter asserted that the Miller Lenders had advanced purchase  
4 money loans directly to trustees to buy more than 50 properties out of foreclosure, and had  
5 recorded deeds of trust to evidence their first position security interest. DenSco, however,  
6 had likewise recorded mortgages evidencing its purported purchase money loans for the same  
7 properties. The Miller Lenders asserted that DenSco's claimed interest was a "practical and  
8 legal impossibility since...only the Lenders provided the applicable trustee with certified  
9 funds supporting the Borrowers purchase money acquisition for each of the Properties,"  
10 demanded that DenSco subordinate its alleged interests to their interests, and threatened to  
11 bring claims for fraud, negligent misrepresentation, and wrongful recordation.

12 It seems unlikely that the issue with the Miller Lenders was a surprise to Mr. Chittick.  
13 Although Mr. Chittick's business journals contain hearsay and present questions regarding  
14 admissibility, they suggest that Menaged had told Mr. Chittick about the double lien issue in  
15 November 2013, and had explained that the issue could affect every property Menaged had  
16 purchased using DenSco funds going back as far as 2011. Further, as set forth below, Mr.  
17 Chittick and Menaged had apparently already reached an agreement on how to deal with the  
18 double lien issue in November 2013 as well. Mr. Chittick, however, failed to provide that  
19 information to Mr. Beauchamp in December. Nor did he immediately provide Mr.  
20 Beauchamp with the full scope of the problem, or reveal the procedure he had agreed to with  
21 Menaged to resolve that problem, in December or early January.

22 Instead, Mr. Chittick sent the Miller letter to Mr. Beauchamp on January 6, 2014 with  
23 nothing more than a sparse request for Mr. Beauchamp to "read the first two pages." The  
24 next day, Mr. Chittick provided Mr. Beauchamp a more expansive, if incomplete,  
25 explanation. In his email, Mr. Chittick stated that he had lent Menaged a total of \$50 million  
26 since 2007 and that he'd "never had a problem with payment or issue that hasn't been

1 resolved." Mr. Chittick asserted, however, that Menaged's wife had become critically ill in  
2 the past year, and that Menaged had turned the day-to-day operations of his companies over  
3 to his cousin. According to Mr. Chittick, the cousin would receive loan funds directly from  
4 DenSco, then request loans for the same property from another lender, including the Miller  
5 Lenders. The other lenders, who had funded their loans directly to the trustee, would record  
6 their deed of trust, as would DenSco, leaving DenSco in second position. The cousin,  
7 unfortunately, then purportedly absconded with the funds DenSco lent directly to Menaged.  
8 This "double lien" issue consequently jeopardized DenSco's secured position and its loan-  
9 to-value ratios. Mr. Chittick feared that a lawsuit with the Miller Lenders would jeopardize  
10 DenSco's entire enterprise.

11 According to Mr. Chittick's email, Menaged purportedly found out about his cousin's  
12 scam in November and revealed the fraud to Mr. Chittick at the time. Yet rather than consult  
13 legal counsel, Mr. Chittick worked out a plan to fix the double lien issue with Menaged. The  
14 initial plan included DenSco paying off the other lenders. That required additional capital,  
15 which Menaged and Mr. Chittick agreed would come from DenSco lending Menaged an  
16 additional \$1 million and Menaged investing additional capital, including \$4-\$5 million from  
17 the liquidation of other assets, as set forth in a term sheet DenSco and Menaged signed after  
18 having already put their plan into effect. As the scope of the problem appeared to grow, Mr.  
19 Chittick and Menaged agreed to terms of an expanded plan, which included further  
20 investment from both DenSco and Menaged, who would also continue to flip and rent homes  
21 to raise the necessary profits needed to pay off the other lenders.

22 Unbeknownst to Mr. Beauchamp, and according to Mr. Chittick's January 7, 2014  
23 email, DenSco and Menaged had already been "proceeding with this plan since November  
24 [2013]." That is corroborated by the Receiver, who asserts that Mr. Chittick lent \$1 million  
25 to Menaged to further their private workout plan in December 2013. In other words, by the  
26 time Mr. Chittick approached Mr. Beauchamp with a partial disclosure of the issues in late



1 2013 and early 2014, Mr. Chittick had already agreed to a business plan with Menaged to  
2 work out the double lien problems, and had already advanced Menaged significant sums  
3 pursuant to that agreement. As Mr. Beauchamp explained in a February 20, 2014 email to  
4 his colleagues, Mr. Chittick "without any additional documentation or any legal advice...has  
5 been reworking his loans and deferring interest payments to assist Borrower...When we  
6 became aware of this issue, we advised our client that he needs to have a Forbearance  
7 Agreement in place to evidence the forbearance and the additional protections he needs."

8 1. Mr. Beauchamp tells DenSco it cannot accept new funds or roll over  
9 prior funds.

10 After receiving Mr. Chittick's January 7, 2014 email, Mr. Beauchamp was alarmed  
11 that DenSco may be taking on new investors or rolling over prior investments without  
12 disclosing the double lien issue or the workout to which Mr. Chittick and Menaged had  
13 agreed. Mr. Beauchamp's advice to Mr. Chittick regarding disclosures Mr. Chittick had to  
14 make to investors was immediate, clear, practical, consistent with his practice and  
15 experience, and consistent with the standard of care: (a) DenSco was not permitted to take  
16 new money without full disclosure to the investor lending the money; (b) DenSco was not  
17 permitted to roll over existing investments without full disclosure to the investor rolling over  
18 the money; and (c) DenSco needed to update its POM and make full disclosure to all its  
19 investors. Mr. Beauchamp provided this advice to DenSco starting with his January 9, 2014  
20 meeting with Mr. Chittick, and repeated it routinely over the next few months.

21 Mr. Beauchamp was also concerned about the source and use of the funds needed to  
22 effectuate the Menaged-Chittick workout. Yet, as Mr. Chittick explained, the funds for the  
23 \$1 million loan (which Mr. Chittick funded prior to engaging Clark Hill) and an additional  
24 \$5 million loan Mr. Chittick and Menaged eventually agreed to as part of the workout, would  
25 come from (a) Mr. Chittick's investment of additional funds out of his retirement account,  
26 (b) Mr. Chittick's personal \$1.5 million line of credit, and (c) DenSco's working capital

1 raised as loans to other borrowers paid off. Again, and at all times Mr. Beauchamp, advised  
2 Mr. Chittick that he could not obtain new investor funds or roll over prior investments  
3 without full disclosure. Mr. Beauchamp also repeatedly insisted that Mr. Chittick revise his  
4 out-of-date POM to provide disclosure to all his investors. Mr. Chittick, however, insisted  
5 that DenSco first document the forbearance agreement so that Mr. Chittick would have a  
6 plan to show his investors.

7 Further, Mr. Chittick assured Mr. Beauchamp repeatedly that he was making the  
8 requisite disclosures to investors on an as needed basis, and that he had informed a select  
9 group of investors as to the double lien issue and proposed workout. That would be in  
10 keeping with Mr. Chittick's prior approach to business. As far as Mr. Beauchamp knew, and  
11 as Mr. Chittick had previously told him, Mr. Chittick indeed had a select group of investors  
12 to whom he turned for advice and approval when confronted with important business  
13 decisions, such as, for example, diversifying his investments into different types of  
14 properties. Mr. Chittick told Mr. Beauchamp that he was seeking such advice from what Mr.  
15 Chittick described as an "advisory council." And again, while the letters Mr. Chittick  
16 appears to have authored prior to his passing contain hearsay and present questions regarding  
17 admissibility, they include various statements suggesting that Mr. Chittick may have  
18 previously told (and received approval from) a select group of investors that he was investing  
19 specifically with Menaged, that he was increasing his loan concentration with Menaged  
20 above the 10-15% concentration threshold suggested in his POMs, and that his lending  
21 process involved funding loans directly to borrowers, rather than a trustee or escrow account.

22 There was no reason for Mr. Beauchamp to question whether Mr. Chittick was in fact  
23 providing disclosures to limited investors. Moreover, over the more than decade long strong  
24 professional relationship Mr. Beauchamp had developed with Mr. Chittick, Mr. Chittick had  
25 proven himself to be a trustworthy client with a strong history of sharing information and  
26 making prudent decisions.

1                   2.     Mr. Beauchamp advises DenSco to enter into a forbearance agreement.

2             Beginning in early January, and over the course of several meetings and telephone  
3 conversations with Mr. Chittick, Mr. Beauchamp convinced Mr. Chittick that if he was going  
4 to keep doing business with Menaged (and Mr. Chittick never wavered from his insistence  
5 on working his way out of the double lien issue with Menaged), DenSco should at least  
6 document the issues and workout plan in a forbearance agreement. Entering into a  
7 forbearance agreement was sound, practical advice and consistent with the standard of care,  
8 particularly where Mr. Chittick and Menaged had already implemented their own workout  
9 plan. As Mr. Beauchamp repeatedly explained to Mr. Chittick, the forbearance agreement  
10 would, among other things, (a) clarify and set forth the facts that led to the double lien issue,  
11 (b) clarify and set forth the scope of the issue with the borrower, (c) acknowledge Mr.  
12 Menaged's defaults under his loan documents with DenSco, as well as the amount and  
13 validity of any debt owed to DenSco, (d) obtain additional written commitments from  
14 Menaged and his entities to fund the workout Mr. Chittick and Menaged had already agreed  
15 to; and (e) obtain additional security and other protections from Menaged and his entities to  
16 protect DenSco and its investors. Mr. Beauchamp was crystal clear with Mr. Chittick all of  
17 this would need to be disclosed to DenSco's investors. Other protections Mr. Beauchamp  
18 advocated for, including additional admissions of fault and fraud by Menaged to protect  
19 DenSco in the event of a bankruptcy filing by Menaged or his entities, were eventually  
20 stricken from the agreement at Menaged and Mr. Chittick's insistence, and over Mr.  
21 Beauchamp's objections.

22             Mr. Beauchamp had previously drafted and negotiated countless forbearance  
23 agreements. He reasonably anticipated that documenting DenSco's forbearance would take  
24 2-3 weeks. Negotiating the forbearance agreement, however, turned out to be more difficult  
25 than Mr. Beauchamp could have reasonably imagined. For one, Menaged and his counsel  
26 repeatedly insisted on edits and revisions that served only to undermine DenSco's fiduciary

1 duty to its investors. Mr. Beauchamp repeatedly had to undo changes proffered by Menaged  
2 or Jeff Goulder, Menaged's attorney, and often by Mr. Chittick at Menaged's direction, in  
3 order to protect DenSco's investors. For example, Menaged (and Mr. Goulder) attempted to  
4 restrict the type of information that could be disclosed to investors, attempted to obtain  
5 releases for Menaged related to his defaults and conduct, and refused to provide additional  
6 security or information regarding that additional security. Mr. Beauchamp repeatedly pushed  
7 back on these efforts and advised DenSco and Mr. Chittick, both in writing and verbally, that  
8 they had fiduciary duties to DenSco's investors, which included disclosure obligations. *See*  
9 *e.g.*, February 4, 2014 email from Mr. Beauchamp to Mr. Chittick ("you cannot obligate  
10 DenSco to further help Scott, because that would breach your fiduciary duty to your  
11 investors"); February 14, 2014 email from Mr. Beauchamp to Mr. Chittick ("[Goulder]  
12 clearly thinks he can force you to agree to accept a watered down agreement and give up  
13 substantial rights that you should not have to give up. Unfortunately, it is not your money.  
14 It is your investors' money. So you have a fiduciary duty"); March 13, 2014 email from Mr.  
15 Beauchamp to Mr. Chittick ("we cannot give Scott and his attorney any time to cause further  
16 delay in getting this Forbearance Agreement finished and the necessary disclosure prepared  
17 and circulated" ).

18 In addition to Menaged and his counsel's constant revisions, the number of loans  
19 affected by the double lien issue also kept growing. The number of loans Mr. Chittick  
20 asserted were in issue grew from December 2013 to January 2014, and then grew again from  
21 January 2014 to February 2014. This resulted in constant changes to the revised workout  
22 documents, as well as to Menaged and Mr. Chittick's agreement regarding the manner in  
23 which to fund the workout. Mr. Chittick, however, maintained, despite multiple inquiries  
24 from Mr. Beauchamp, that he had run the calculations and projections and was confident his  
25 plan with Menaged would work. Mr. Chittick also told Mr. Beauchamp that he had gone  
26 over those projections with his "advisory council." As Mr. Chittick described it to Mr.

1 Beauchamp, it was a cash flow issue, not a payment issue, and that with Menaged's  
2 additional investments, the workout would succeed.

3 Nevertheless, Mr. Beauchamp at one point became concerned enough at Menaged's  
4 intransigence and the apparent influence he held over Mr. Chittick, that he reached out to  
5 third parties in late January 2014 to inquire about Menaged. Those third parties informed  
6 him that Menaged was generally someone to be distrusted and not someone to do business  
7 with. Mr. Beauchamp attempted to persuade Mr. Chittick of this during several heated  
8 conversations, but Mr. Chittick ignored these admonitions, explaining that while Menaged  
9 could be sharp and off-putting, Menaged had always performed on DenSco's loans in the  
10 past, and had stood by Mr. Chittick in tough times. Despite Mr. Beauchamp's efforts, Mr.  
11 Chittick could not be convinced to cut ties with Menaged.

12 **F. Mr. Beauchamp terminates representation of DenSco and Mr. Chittick.**

13 When Mr. Beauchamp agreed to represent DenSco with respect to Menaged, Mr.  
14 Beauchamp made clear that Mr. Chittick had to immediately update DenSco's POM and  
15 make full disclosure to its investors regarding the double lien issues, the workout with  
16 Menaged, and the potential implications thereof on DenSco's finances and the investors'  
17 investments. Mr. Chittick always acknowledged that responsibility and agreed to make the  
18 full disclosure once the forbearance agreement was properly documented. As the  
19 forbearance neared completion, Mr. Beauchamp and his associate, Daniel Schenk, began  
20 drafting the updated POM in April and May 2014. Specifically, the draft 2014 POM would  
21 have: provided a description of the forbearance agreement (including all the parties' funding  
22 obligations), the reason it was necessary, and its effect on DenSco's books; updated  
23 DenSco's goals for intended loan-to-value ratios; updated the descriptions regarding  
24 DenSco's loan funding and securitizations procedures; updated the number of loan defaults  
25 triggering foreclosures; and amended the descriptions regarding DenSco's borrower base,  
26 among other things. Further, Mr. Beauchamp explained that the updated POM would need

1 to be accompanied with a cover letter or other communication highlighting the major  
2 material changes, including the double lien issue and resulting workout agreement, to ensure  
3 that investors were fully informed. Mr. Chittick, however, refused to provide the necessary  
4 information to complete the POM and refused to approve the description of the workout or  
5 the double lien issue, despite his prior acknowledgement that he would need to make full  
6 disclosure to all of his investors about DenSco (as he had been doing through POMs and  
7 newsletters since 2003).

8 In May 2014, Mr. Beauchamp handed Mr. Chittick a physical copy of the draft POM  
9 and asked him what Mr. Chittick's specific issues were with the disclosure. Mr. Chittick  
10 responded that there was nothing wrong with the disclosure, he was simply not ready to make  
11 any kind of disclosures to his investors at this stage. Mr. Beauchamp again explained that  
12 Mr. Chittick had no choice in the matter and that he had a fiduciary duty to his investors to  
13 make these disclosures. Mr. Chittick would not budge. Faced with an intransigent client  
14 who was now acting contrary to the advice Mr. Beauchamp was providing, and with concerns  
15 that Mr. Chittick may not have been providing any disclosures to anyone since January 2014,  
16 Mr. Beauchamp informed Mr. Chittick that Beauchamp and Clark Hill could not and would  
17 not represent DenSco any longer. Mr. Beauchamp also told Chittick that he would need to  
18 retain new securities counsel, not only to provide the proper disclosure to DenSco's  
19 investors, but to protect DenSco's rights under the forbearance agreement. Mr. Chittick  
20 suggested that he had already started that process and was speaking with someone else.

21 Thereafter, Mr. Beauchamp and Clark Hill ceased providing DenSco with securities  
22 advice. Mr. Chittick accepted that, but asked that Mr. Beauchamp clean up some small issues  
23 with the forbearance agreement before ending the relationship entirely. Other than  
24 addressing those small forbearance agreement issues in June and July, Clark Hill stopped  
25 working with DenSco or Mr. Chittick in any capacity until 2016, when Mr. Chittick  
26 requested that Mr. Beauchamp assist with a very limited issue involving an audit by the

1 Arizona Department of Financial Institutions - work Mr. Beauchamp had previously  
2 performed for DenSco and that Mr. Chittick characteristically believed could be done most  
3 cost-effectively by Mr. Beauchamp rather than by a new lawyer with no background on the  
4 issue.

5 **G. Menaged continues to perpetrate fraud on DenSco, which only grows in**  
6 **scale.**

7 During the time that he represented it regarding securities matters, Mr. Beauchamp (a)  
8 repeatedly advised DenSco that it had to make full disclosure to its investors and then  
9 terminated his relationship as securities counsel for DenSco when DenSco refused, (b)  
10 explained that DenSco would need to retain new counsel after Mr. Beauchamp withdrew to  
11 provide proper disclosures and monitor the forbearance, and (c) repeatedly reminded Mr.  
12 Chittick that he needed to fund loans directly to a trustee or escrow company, rather than to  
13 the borrower. Mr. Chittick ignored Mr. Beauchamp's advice. It is unclear if DenSco ever  
14 engaged or even talked to new counsel. It appears Mr. Chittick never issued an updated POM,  
15 a fact which could not have gone unnoticed by DenSco's sophisticated investors, who had  
16 gotten used to regular updates from DenSco, not only through updated POMs, but through  
17 monthly newsletters and periodic investor meetings. It is quite clear that Mr. Chittick  
18 continued to loan funds directly to Menaged in direct contravention of Mr. Beauchamp's  
19 repeated advice.

20 Nevertheless, the brazen scope of Menaged's efforts to defraud DenSco was not  
21 foreseeable. After several years of bilking DenSco and others out of millions of dollars,  
22 Menaged was eventually arrested. The United States Department of Justice first charged  
23 Menaged with defrauding various banks through his purported furniture stores. Menaged used  
24 fabricated receipts of purchases made at the furniture store to obtain credit from banks using  
25 the names of, and personal identification information of, individuals who had recently died.  
26 He would then incur millions of dollars in fraudulent charges on those fake

1 accounts. Incredibly, Menaged acknowledged in his plea agreement that he had perpetrated  
2 the bank fraud in order to get cash to continue defrauding DenSco.

3 The Department of Justice then also charged Menaged with money laundering with  
4 respect to the DenSco fraud. In his plea agreement, Menaged admitted that from January 2014  
5 through June 2016, he embezzled millions of dollars without purchasing properties with the  
6 loans obtained from DenSco. He explained that DenSco would wire money to purchase  
7 properties directly to Menaged who, in turn, would send DenSco "an image of a bank cashier's  
8 check and a copy of a Trustee Certificate of Sale Receipt." No sales, however, actually took  
9 place. Menaged would simply redeposit the cashier's check into his account and create bogus  
10 receipts for the purchase of the property. Between January 2013 and June 2016, Menaged  
11 admitted he obtained 2,172 loans from DenSco totaling approximately \$734,484,440.67. Yet,  
12 of the 2,712 loans made by DenSco, only 96 involved actual property transactions. Menaged  
13 supposedly used the remaining 2,616 loans for personal expenses, gambling trips, and transfers  
14 to his family members and associates. Menaged would also utilize new loans from DenSco to  
15 pay back outstanding DenSco loans to conceal the embezzlement. Menaged was sentenced to  
16 17 years in jail. As First Assistant U.S. Attorney Elizabeth Strange stated, the "lengthy  
17 sentence is a fitting punishment for his egregious crimes."

18 Menaged shamelessly duped Mr. Chittick. Documents and recordings suggest that  
19 Menaged never invested any money into the workout plan. He never obtained any money from  
20 Israel despite purportedly making numerous trips to the country for that very purpose, blatantly  
21 lied that funds that could have been used to fund the workout were tied up in his divorce  
22 proceedings, and ultimately invented a non-existent investment scheme involving  
23 "auction.com" which Menaged falsely claimed was retaining most of DenSco's money (to go  
24 along with his fabrication of the fraudulent cousin and terminally ill wife). Sadly, Mr. Chittick  
25 bought into all of Menaged's lies until his last days.

26 Discovery is continuing. Defendants may supplement.



1 **II. LEGAL THEORIES OF CLAIMS AND DEFENSES.**

2 **A. Plaintiff's claims**

3 *Legal Malpractice*

4 Receiver asserts that Defendants, in their representation of DenSco, committed  
5 malpractice and breached fiduciary duties owed to DenSco. Legal malpractice requires proof  
6 of the existence of a duty, breach of duty, that defendant's breach was the actual and proximate  
7 cause of damages, and the "nature and extent" of those damages. *Glaze v. Larsen*, 207 Ariz.  
8 26, 29 ¶ 12 83 P.3d 26, 29 (Ariz. 2004) (citations and quotations omitted).

9 Receiver cannot prove breach of duty, actual and proximate cause, or resulting damages.  
10 To prove breach of duty, Receiver will need to demonstrate that Defendants deviated from the  
11 professional standard of care. *Phillips v. Clancy*, 152 Ariz. 415, 418, 733 P.2d 300, 303 (App.  
12 1986). Defendants' advice and conduct in representing DenSco and, in doing so, representing  
13 Mr. Chittick as president of DenSco, was consistent with Defendants' practice and experience,  
14 and consistent with the standard of care. Thus, Defendants did not breach their duties to  
15 DenSco. Receiver will also need to prove that if Defendants had not purportedly breached the  
16 standard of care, that DenSco would not have suffered injury. *Id.* Whatever harm befell  
17 DenSco was not an actual or foreseeable result of the advice provided by Defendants. Thus,  
18 Receiver's malpractice claim fails.

19

20 *Aiding and Abetting Breach of Fiduciary Duties*

21 Receiver asserts that Defendants aided and abetted Mr. Chittick in breaching his  
22 fiduciary duties to DenSco. Claims of aiding and abetting require proof that: (1) the primary  
23 tortfeasor must commit a tort that caused injury to the plaintiff; (2) the defendant must know  
24 that the primary tortfeasor's conduct constitutes a breach of duty; (3) the defendant must  
25 substantially assist or encourage the primary tortfeasor in the achievement of that breach and  
26 (4) there must be a causal relationship between the defendant's assistance or encouragement

1 and the primary tortfeasor's commission of the tort. *Wells Fargo Bank v. Az. Laborers,*  
2 *Teamsters and Cement Masons Local No. 395 Pension Trust Fund*, 201 Ariz. 474, 485 (Ariz.  
3 2002); *Sec. Title Agency, Inc. v. Pope*, 219 Ariz. 480, 491 (App. 2008). Importantly, "[b]ecause  
4 aiding and abetting is a theory of secondary liability, the party charged with the tort must have  
5 knowledge of the primary violation." *Wells Fargo*, 201 Ariz. at 485.

6 It is unclear from the Complaint what actions the Receiver asserts constitute a breach  
7 of Mr. Chittick's fiduciary duties to DenSco. In any event, as set forth above, Defendants'  
8 advice and conduct in representing DenSco were consistent with the applicable standard of  
9 care. Defendants did not "substantially assist or encourage" Mr. Chittick in breaching his  
10 duties to DenSco, Defendants did not have knowledge of Mr. Chittick's purported "primary  
11 violation," nor is there a causal relationship between Defendants' representation of DenSco  
12 and Mr. Chittick's purported tortious conduct with respect to DenSco. Further, as set forth  
13 above, whatever harm befell DenSco was not an actual or foreseeable result of Defendants'  
14 actions or inactions.

## 15 **B. Affirmative Defenses**

### 16 *Statute of Limitations*

17 Both the legal malpractice claim and the aiding and abetting claim have a two-year  
18 statute of limitations. *See* A.R.S. §12-542(1) (An action "[f]or injuries done to the person of  
19 another" shall be commenced and prosecuted within two years after the cause of action accrues,  
20 and not afterward"). Receiver, who stands in the shoes of DenSco, did not file the Complaint  
21 in this action until October 16, 2017, which was well outside the statute of limitations. DenSco,  
22 and potentially the Investors, could have discovered at least as of Summer 2014, that DenSco's  
23 loans to Menaged (or his entities) and DenSco's lending practices with respect to Menaged,  
24 could give rise to potential causes of action against Mr. Chittick or his agents. Consequently,  
25 because the statute of limitations ran, at the latest, in the Summer of 2016, the Complaint is  
26 barred in its entirety.

1 *In pari delicto* and *unclean hands*

2 Arizona law recognizes the doctrine of *in pari delicto*. *Brand v. Elledge*, 89 Ariz. 200,  
3 205, 360 P.2d 213, 217 (1961) (quoting *Furman v. Furman*, 34 N.Y.S.2d 699, 704 (N.Y. Sup.  
4 Ct. 1941), *aff'd*, 40 N.E.2d 643 (N.Y. 1942)). *In pari delicto* is an affirmative defense by which  
5 a party is barred from recovering damages if his losses are substantially caused by activities  
6 the law forbade him to engage in.” *Stewart v. Wilmington Trust SP Servs., Inc.*, 112 A.3d 271,  
7 301–02 (Del. Ch.), *aff'd*, 126 A.3d 1115 (Del. 2015) (quotation omitted). The defense may  
8 be raised against a receiver. *Id.* (“no cogent reason for sparing the innocent Receiver the effect  
9 of *in pari delicto* while equally innocent stockholders or policyholders would be barred from  
10 relief in the derivative context”); *Knauer v. Jonathon Roberts Fin. Grp., Inc.*, 348 F.3d 230,  
11 236 (7th Cir. 2003) (affirming dismissal of the receiver’s claims against the broker dealers,  
12 concluding that they were barred by the defense of *in pari delicto*).

13 Here, to the extent there are claims against the Defendants, DenSco, into whose shoes  
14 the Receivers steps, bears fault for damages about which it complains. Thus, the Receiver’s  
15 claims are barred by doctrine of *in pari delicto* and, to the extent it specifically seeks equitable  
16 relief, by the related doctrine of *unclean hands*.

17  
18 *Laches*

19 A claim is barred by *laches* when the delay in bringing the claim is “unreasonable under  
20 the circumstances” given “the party’s knowledge of his or her right” and “any change in  
21 circumstances caused by the delay has resulted in prejudice to the other party sufficient to  
22 justify denial of relief.” *Mathieu v. Mahoney*, 174 Ariz. 456, 459, 851 P.2d 81, 84 (1993).  
23 Receiver seeks to recover potentially millions of dollars in alleged damages resulting from  
24 loans Mr. Chittick made to Menaged. DenSco would have been aware of the harms that could  
25 befall DenSco and its investors as a result of DenSco’s loans to, and lending practices with,  
26 Menaged, by Summer 2014 at the latest. DenSco’s inaction for several years, up through the

1 death of Mr. Chittick, to seek relief against any potential third party for harms suffered by  
2 DenSco was unreasonable in light of DenSco's knowledge. Because the Receiver steps into  
3 DenSco's shoes, the claims are barred.

4

5 *Setoff*

6 Clark Hill filed a proof of claim in the DenSco Receivership for unpaid fees incurred  
7 by Clark Hill on behalf of DenSco after Mr. Chittick's death. The Receiver improperly denied  
8 the claim on the basis of an alleged conflict of interest. To the extent Defendants are found to  
9 owe Plaintiff anything, that debt must be reduced any sums Plaintiff owes Clark Hill.

10 Additional defenses:

- 11 • Third parties, including Mr. Chittick and Menaged, over whom Defendants  
12 have no authority or control, are at fault for any damages suffered.
- 13 • Densco, in to whose shoes the Receiver steps, is at fault for any damages  
14 suffered.
- 15 • Densco, in to whose shoes the Receiver steps, assumed the risk of any actions  
16 taken or not taken by DenSco or Mr. Chittick. *Hildebrand v. Minyard*, 16 Ariz.  
17 App. 583, 585, 494 P.2d 1328, 1330 (1972) ("A plaintiff who by contract or  
18 otherwise expressly agrees to accept a risk of harm arising from the defendant's  
19 negligent or reckless conduct cannot recover for such harm . . .") (*quoting*  
20 *Restatement (Second) of Torts* § 496(B) (1965)).
- 21 • Receiver cannot demonstrate proximate cause or loss causation because  
22 Defendants are not the actual or proximate cause of any damages suffered.
- 23 • Any damages suffered were the result of intervening or superseding events or  
24 causes over which the Defendants had no control and were not legally  
25 responsible.
- 26 • Receiver's claims are barred by doctrines of waiver and estoppel.

1  
2 Discovery is continuing. Defendants may supplement.

3 **III. WITNESSES.**

4 Because no discovery has taken place, Defendants have not yet identified all persons it  
5 may call as witnesses at trial, but reserves the right to call any of the following persons to  
6 testify as a witness at trial:

- 7  
8 1. David Beauchamp  
9 c/o Coppersmith Brockelman, PLC  
2800 N. Central Avenue, Suite 1900  
Phoenix, Arizona 85004

10  
11 Mr. Beauchamp is expected to testify regarding the allegations in the Complaint and  
12 his representation of DenSco and of Mr. Chittick in his capacity as president of DenSco.

- 13  
14 2. Peter Davis, Receiver of DenSco Investment Corporation  
15 c/o Osborn Maledon, P.A.  
2929 N. Central Avenue, Suite 2100  
Phoenix, Arizona 85012

16 Mr. Davis is expected to testify regarding the allegations in the Complaint; the  
17 Receiver's evaluations, analyses, and determinations regarding all aspects of DenSco's  
18 finances, including, but not limited to, DenSco's loans, lending practices, record keeping,  
19 financial transactions, and solvency; the Receiver's maintenance of any DenSco or Chittick  
20 records or property, including, but not limited to, electronic records, websites, and email  
21 communications; the Receiver's communications with third parties related to DenSco,  
22 including communications with financial institutions, investors, and accountants and other  
23 professionals; the Receiver's determinations regarding the Receiver's evaluation and analysis  
24 regarding the potential fault, liability, or culpability of any third party with respect to any  
25 losses suffered by DenSco, including, but not limited, to Chase Bank, U.S. Bank, Yomtov  
26 Menaged, Active Funding Group, LLC, and/or Gregg Seth Reichman.

- 1        3.     Any witnesses disclosed by other parties.  
2        4.     Any witnesses that become known through discovery.  
3        5.     Custodian or other foundational witnesses necessary to admit exhibits.  
4        Discovery is continuing. Defendants may supplement.

5   **IV.   ADDITIONAL PERSONS WHO MAY HAVE RELEVANT INFORMATION.**

6        1.     Yomtov "Scott" Menaged

7        Scott Menaged is expected to have knowledge regarding all aspects of any personal,  
8        financial, or business dealings he may have had with DenSco and Mr. Chittick; all aspects of  
9        the fraud(s) he perpetrated on DenSco and Mr. Chittick, either directly, or through one of his  
10       entities, including, but not limited to, Easy Investments, LLC, Arizona Home Foreclosures,  
11       LLC, Furniture King, LLC, and Scott's Fine Furniture; all aspects of actions or conduct  
12       related to his criminal indictment, plea bargain, or sentencing in the United States District  
13       Court for the District of Arizona; his communications with DenSco and Mr. Chittick; and his  
14       communications with Mr. Beauchamp.

15

16       2.     PMK Easy Investments, LLC  
17                10510 East Sunnyside Drive  
18                Scottsdale, AZ 85259

19        *See Description for Scott Menaged.*

20

21       3.     PMK Arizona Home Foreclosures, LLC  
22                7320 West Bell Road  
23                Glendale, AZ 85308

24

25

26        *See Description for Scott Menaged.*

27

28

1       4.     PMK Furniture King, LLC  
2             3200 North Central Avenue  
3             Suite 2460  
4             Phoenix, AZ 85012

5             *See Description for Scott Menaged.*

6       5.     PMK Scott's Fine Furniture

7             *See Description for Scott Menaged.*

8       6.     Veronica Castro aka Veronica Gutierrez Reyes  
9             c/o Thomas W. Warshaw Attorney at Law  
10            33147 North 71<sup>st</sup> Way  
11            Scottsdale, AZ 85266

12       Ms. Castro is expected to have knowledge regarding Menaged's personal, financial, or  
13 business dealings with DenSco and Mr. Chittick; the fraud(s) Menaged perpetrated on  
14 DenSco and Mr. Chittick, either directly, or through one of Menaged's entities; Menaged's  
15 communications with DenSco and Mr. Chittick; Menaged's communications with Mr.  
16 Beauchamp; the actions or conduct related to Menaged's criminal indictment, plea bargain,  
17 or sentencing in the United States District Court for the District of Arizona; and Ms. Castro's  
18 communications with DenSco and Mr. Chittick.

19       7.     Luigi Amoroso

20       Mr. Amoroso is expected to have knowledge regarding Menaged's personal, financial,  
21 or business dealings with DenSco and Mr. Chittick; the fraud(s) Menaged perpetrated on  
22 DenSco and Mr. Chittick, either directly, or through one of Menaged's entities; Menaged's  
23 communications with DenSco and Chittick; Menaged's communications with Mr.  
24 Beauchamp; the actions or conduct related to Menaged's criminal indictment, plea bargain,  
25 or sentencing in the United States District Court for the District of Arizona; and Mr.  
26 Amoroso's communications with DenSco and Mr. Chittick.

1           8.     Alberto Pena  
2                 c/o Law Office of Cameron A. Morgan  
3                 4356 North Civic Center Plaza  
4                 Suite 101  
5                 Scottsdale, AZ 85251

6           Mr. Pena may have knowledge regarding Menaged's personal, financial, or business  
7     dealings with DenSco and Chittick; the fraud(s) Menaged perpetrated on DenSco and  
8     Chittick, either directly, or through one of Menaged's entities; Menaged's communications  
9     with DenSco and Mr. Chittick; and the actions or conduct related to Mr. Pena's and  
10    Menaged's criminal indictment, plea bargain, or sentencing in the United States District  
11    Court for the District of Arizona.

12           9.     Troy Flippo  
13                 c/o Storrs Law Firm PLLC  
14                 1421 East Thomas Road  
15                 Phoenix, AZ 85014

16           Mr. Flippo may have knowledge regarding Menaged's personal, financial, or business  
17     dealings with DenSco and Mr. Chittick; the fraud(s) Menaged perpetrated on DenSco and  
18     Mr. Chittick, either directly, or through one of Menaged's entities; Menaged's  
19     communications with DenSco and Chittick; and the actions or conduct related to Flippo's and  
20     Menaged's criminal indictment, plea bargain, or sentencing in the United States District  
21     Court for the District of Arizona.

22           10.    Menaged family members, including, Joseph Menaged, Michelle Menaged,  
23                    Jennifer Bonfiglio, Joy Menaged, Jess Menaged

24           Menaged's family may have knowledge regarding Menaged's personal, financial, or  
25     business dealings with DenSco and Chittick; the fraud(s) Menaged perpetrated on DenSco  
26     and Chittick, either directly, or through one of Menaged's or his Family's entities; the use of  
   funds obtained from DenSco; Menaged's communications with DenSco and Chittick; and the



1 actions or conduct related to Menaged's criminal indictment, plea bargain, or sentencing in  
2 the United States District Court for the District of Arizona.

3  
4 11. Shawna Heuer  
5 c/o Bonnett Fairbourn, PC  
6 2325 E. Camelback Road  
7 Phoenix, Arizona 85016

8 Ms. Heuer is expected to have knowledge regarding Mr. Beauchamp's work on behalf  
9 of DenSco after Mr. Chittick's death and her communications with Mr. Beauchamp. Ms.  
10 Heuer may also have knowledge regarding Mr. Chittick and DenSco's business, and Mr.  
11 Chittick's communications with Mr. Beauchamp, Menaged, or DenSco's investors.

12 12. Jeff Goulder  
13 Stinson Leonard Street  
14 1850 North Central Avenue, Suite 2100  
15 Phoenix, Arizona 85004

16 Mr. Goulder is expected to have knowledge regarding the negotiations of the  
17 Forbearance Agreement. Mr. Goulder also may have knowledge regarding Menaged's  
18 businesses, business practices, and finances. Mr. Goulder also may have knowledge  
19 regarding Menaged's communications with Mr. Beauchamp.

20 13. David Preston  
21 c/o Gammage & Burnham  
22 2 N. Central Avenue, Suite 15  
23 Phoenix, Arizona 85004

24 Mr. Preston is expected to have knowledge regarding DenSco and Mr. Chittick's  
25 finances and tax returns. Mr. Preston is also expected to have knowledge regarding Mr.  
26 Chittick's retirement plan.

1       14.    DenSco Investors

2       The Investors are expected to have knowledge regarding Mr. Chittick's  
3 communications to the Investors and their knowledge of DenSco's business, the status of  
4 their investments, and the status of DenSco's loans at all relevant times.

5  
6       15.    PMK Chase Bank  
7            3800 North Central Avenue  
8            Suite 460  
          Phoenix, AZ 85012

9       Chase Bank is expected to have knowledge regarding Menaged's banking practices,  
10 including Menaged's use of Chase Bank to perpetrate his fraud on DenSco and Chittick.

11  
12       16.    PMK US Bank  
13            3800 North Central Avenue  
14            Suite 460  
          Phoenix, AZ 85012

15       US Bank is expected to have knowledge regarding Menaged's banking practices,  
16 including Menaged's use of Chase Bank to perpetrate his fraud on DenSco and Chittick.

17  
18       17.    Gregg Seth Reichman/Active Funding Group  
19            Attention: Andrew Abraham  
20            702 East Osborn Road  
21            Suite 200  
          Phoenix, AZ 85014

22       Mr. Reichman may have knowledge regarding Menaged's businesses, business  
23 practices, and finances; the fraud(s) Menaged perpetrated on DenSco and Mr. Chittick, either  
24 directly, or through one of Menaged's entities; and Mr. Reichman or his entities' (including  
25 Active Funding Group) participation in any of those fraudulent schemes (as suggested by the  
26 Receiver's Petition No. 45).

1 18. Daniel Schenk  
2 c/o Coppersmith Brockelman, PLC  
3 2801 N. Central Avenue, Suite 1900  
4 Phoenix, Arizona 85004

5 Mr. Schenk is expected to have knowledge regarding any work he performed on  
6 behalf of DenSco and Mr. Chittick in his capacity as president of DenSco. Mr. Schenk may  
7 also have knowledge of Menaged's communications with Beauchamp, Menaged  
8 communications with Mr. Chittick, and Mr. Beauchamp's communications with Mr. Chittick.

9 19. Robert Anderson  
10 c/o Coppersmith Brockelman, PLC  
11 2802 N. Central Avenue, Suite 1900  
12 Phoenix, Arizona 85004

13 Mr. Anderson is expected to have knowledge regarding any work he performed on  
14 behalf of DenSco and Mr. Chittick in his capacity as president of DenSco.

15 **V. PERSONS WHO HAVE GIVEN STATEMENTS.**

16 None at this time. Discovery is continuing. Defendants may supplement.

17 **VI. EXPERT WITNESSES.**

18 Defendants will identify expert witnesses in accordance with the schedule ordered by  
19 the Court.

20 **VII. COMPUTATION AND MEASURE OF DAMAGES.**

21 Plaintiff is not entitled to recover damages against Defendants.

22 Discovery is continuing. Defendants may supplement.

23 **VIII. EXHIBITS.**

24 Defendants have not yet identified which of the documents listed in Section IX below  
25 will be used at trial, and therefore expressly reserve the right to introduce any of the listed  
26 documents as exhibits at trial. Defendants may also use any documents identified in any other

1 party's disclosure statement or otherwise disclosed in this matter. By reserving the right to  
2 introduce any of the listed documents as exhibits at trial, Defendants do not waive their right  
3 to object to the introduction of any of these documents at the time of trial. Defendants will  
4 supplement this initial disclosure statement in accordance with Arizona Rules of Civil  
5 Procedure 26.1(b)(2).

6 Discovery is continuing. Defendants may supplement.

7 **IX. LIST OF RELEVANT DOCUMENTS.**

8 Defendants have not yet identified any additional relevant documents. The  
9 following documents, or categories of documents, may be relevant or lead to discovery of  
10 admissible evidence in this action and have already been exchanged or are being produced  
11 herewith:

- 12 1. Documents previously produced by Clark Hill bates labeled CH\_0000001-  
13 13330.
- 14 2. Additional documents produced herewith by Clark Hill bates labeled  
15 CH\_0013331-13374.
- 16 3. Documents previously produced by Plaintiff including bates labeled  
17 DIC000001-25330, 28634-53950 and Quickbooks backup.
- 18 4. Documents previously produced by Plaintiff including bates labeled D126751-  
19 128731 and 130972-133111.
- 20 5. Documents previously produced by Bryan Cave in response to Subpoena Duces  
21 Tecum bates labeled BC000001-3188.
- 22 6. Documents produced herewith by Dave Preston in response to Subpoena Duces  
23 Tecum bates labeled DP000001-601.
- 24 7. Any and all documents in CR-17-00680, United States of America v. Yomtov  
25 Scott Menaged, et al.
- 26 8. All documents produced by any party or third party in this litigation.

1 9. All pleadings, filings, minute entries, orders and judgments.

2 10. All deposition or hearing transcripts in the above captioned litigation.

3 11. All transcripts from any Section 341 creditor meetings, Rule 2004 examinations,  
4 depositions, or hearings in Yomtov Menaged's bankruptcy pending in the United  
5 States Bankruptcy Court for the District of Arizona at 2:16-bk-04268.

6 Defendants reserves the right to supplement the list of documents that may be relevant  
7 as information becomes available.

8 **X. INSURANCE AGREEMENTS.**

9 Not applicable.

10  
11 DATED this 9<sup>th</sup> day of March, 2018.  
12

13 **COPPERSMITH BROCKELMAN PLC**

14  
15 By: 

16 John E. DeWulf  
17 Marvin C. Ruth  
18 Vidula U. Patki  
2800 North Central Avenue, Suite 1900  
Phoenix, Arizona 85004  
Attorneys for Defendants

19  
20 **ORIGINAL** mailed and emailed this  
21 9<sup>th</sup> day of March, 2018 to:

22 Colin F. Campbell, Esq.  
23 Geoffrey M. T. Sturr, Esq.  
24 Joshua M. Whitaker, Esq.  
25 OSBORN MALEDON, P.A.  
26 2929 N. Central Ave., Suite 2100  
Phoenix, AZ 85012-2793  
Attorneys for Plaintiff



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Edward J. Hood, being first duly sworn upon his oath, deposes and says:

I, Edward J. Hood, am General Counsel of Clark Hill PLC, a Defendant in the matter *Peter S. Davis, as Receiver for DenSco Investment Corp. v. Clark Hill PLC; David G. Beauchamp and Jane Doe Beauchamp, Maricopa County Superior Court Case No. CV2017-013832*. I am authorized to make this Verification on its behalf. I have read the foregoing Defendant's Initial Rule 26.1 Disclosure Statement and know its contents. The matters stated in the foregoing Initial Rule 26.1 Disclosure Statement are true and correct to the best of my knowledge except as to those matters that are stated upon information and belief, and as to those matters, I believe them to be true.

DATED this 9<sup>th</sup> day of March, 2018.

  
Edward J. Hood

# **Exhibit No. 38**



Beauchamp	
EXH. NO.	415
	7-19-18
Kelly S. Oglesby CR 50178	

NEWEST

READ WHOLE THING, I'VE NOT VERY WELL LAID OUT, YOU'LL NEED TO KNOW SOMETHINGS RIGHT NOW AND WORRY ABOUT OTHERS LATER.

Aggy List:

I'm sure I'm going to forget a few things because I'm not in the best state of minds. It's going to be as I think of them and not in any order. This wasn't typed top to bottom. I jumped and edited it all around for the last several days and nights. I decided not to ship you my computer and Ipad. I don't want it to look like I'm shipping you something. Please take them home with you, both computers. You'll receive ups over night envelope with more stuff in it that I felt you needed day one no matter what. I'm sorry I didn't call you before this but I know if I heard your voice, the parents voice, blonde or squits, I couldn't keep it together. I'm having enough trouble facing my boys this week. I know this is incredibly mean and awful 100 things you could describe, much worse too, hate me I understand. But I had to do this retain some money so my boys and the parents would have something. I drained everything I had but their college funds and my retirement to fix this problem. If I stay alive and go through the whole process of defending myself it will cost 500k or more and there is absolutely no guarantee I won't end up in jail for 25 years. I know I did nothing intentionally illegal. However, the lawyers will find plenty of things I didn't do right and I will be given no mercy, poster child of fraud and off I'll go. What use is that? It's a waste. I won't do it and I won't put my family through it. I've brought enough shame to the family for not catching the fraud and fixing it and now I have to suffer the consequences. You might sit there and think five other alternatives but I can assure I've thought of a 100. They all end the same. Please don't allow for a funeral or anything. Just give my body to science they don't want it fine, cremate it and dump the ashes in Hayden Lake or something. Whatever you want. Maybe the boys will have some issue with it I don't know.

I decided not to send the investor letter out, but I sent it to my attorney and you, I think I gave a copy to Nasha too. I had to ensure the facts are made clear as to I know them. I just didn't want them published. I fear that I email it out to everyone; someone will send it to the press. I don't think that is a good idea. Please don't scan it, email it fax it or anything. Don't share it with anyone. Let Dave Beauchamp - 480-684-1100, handle it (keep this name and number you may need it later. The legal consequences are going to be huge. The press is going to have field day with me. I can't stop any of that. But I don't think that letter is good to become public domain. If Dave doesn't do something with it, you have it so that you can do something. I have no idea what or who to share it with but I think the facts have to be known. Once again I'm burdening you with some shit that isn't your doing and I hope it won't affect you. Course my mind is racing and I just typed this paragraph last, so I don't know what I'll think in another hour or two. I'm just going nuts right now and I'm so concerned I've screwed up so many things that my plan to at least protect some assets and pass to the boys and mom and dad are in vain. The money that is in my IRA is from insight. The other one that bought recently was my 401k I had in DenSco. So there's the tie to the ill-gotten gains. Same as that cd at the bank. That's was my defined benefit from DenSco. I moved it out after I knew of the fraud the dates will show that. But I hadn't done anything wrong in 2013. I was just made aware of what Scott's cousin had done. I had to move it because they weren't allowing me to keep it in DenSco. They, being the Defined

Dave

DIC0009476

Pension Strategies, they are the ones I report everything to for my 401k and DB plan. I believe that the money put in to that except the last year of 2013, was all pre- any issues. The last 800k or so that was moved in to it in 2013 was after scot told me what happening, but I was trying to minimize taxes. I figured it I needed the money I rather have it then pay tax on it. 1 million of it purely predates everything went sideways. Go in to Accounts and display showing the hidden or closed accounts you'll see it. I'll put the QuickBooks file in there for you so you have it too. So I don't know if they will be able to come back after those two things. The 401k it's the last two 2 years, 2013 and 2014 that would be in question, that's about 75k I moved in there during those years, they want back. The first IRA I am sure they can't touch. It's from Insight. I hadn't moved money into vanguard from DenSco. I only moved it from vanguard to DenSco when I sold my mutual and bond funds. You see I'm spending all my time trying to see if I should do something else. But I'm out of time.

1. I've enclosed my password list to everything you'll need to get in to all my accounts.
2. Best you plan to fly down and drive back with the highlander. I know it's not 4 wheel drive, but you can sell it and get one that is. Have enclosed the notarized title with it so you can change it in to your name. I looked it up, you and I have to be that the DMV. I'm not sure how to handle this. Since I'm getting this notarized before I die, I bet you have submit a death certificate and then you'll be ok to do the transfer, u are the executor of my will so I think it will be ok. It might be pain but that's the best I can do. Make sure you unplug it before you drive away! It's got a trickle on it to keep the battery charged. I'm not sure how to handle the tesla. I owe a little on it, so I don't have title. I guess I should have paid it off and got the damn title. I'm sorry I didn't think. I'm sure there is a process for this situation. It's worth probably 40k so that's going to help you. Damn I fucked this up too. You never thought I could be so damn incompetent I'm sure. Maybe they will try to take it too since I've been making payments on it all this time. That was stupid. But the interest rate was so low it didn't make sense to do anything else. I can't fix it now along with 1000 other problems!
3. I put a couple k in the guest's bathroom underneath the books and toilet paper. I don't know what access you'll have to the house or if someone will follow you around so I figure with some privacy in the bathroom you'll be ok. That will pay for some expenses while you are here. I would pay for everything on your credit card, and then use the cash to buy gas food etc for months to make it equal. I don't want to put your of any money. Don't deposits cash either.
4. I pre-signed all of Sagers checks for his college fund. I figured that was easiest
5. Make sure you get down here before mom and dad. Stay at their condo. The neighbor has the key if not; here at my house I have the key and garage door opener. It should be on my desk or maybe Nasha took it. There are two extra keys hidden. Just in case there are issues with this I wanted to make sure you could get in. number 32 explains where one key is. Another one is in the work bench back right corner. The garage code is 1962 enter, it's a bitch you have to do it a few times or hit enter firmly.
6. In my desk drawer on the right side, bottom there are files, one file unmarked is everything out of my safe, personal stuff paperwork etc, and the boy's docs on their college funds. I don't think you'll need it but it's there.

Still there  
OK ✓

7. You'll have to send something to American Airlines to get them to move all my miles to the boys account.
8. I gave all the medical records for the boys to Nasha. She'll get health insurance for them; you may have to provide some money to her for this.
9. I gave her a check for August, let it go through don't fight it. That will give you a month to figure out some things and her a month of having some money.
10. The money you provide for the boys expenses, just make her give you a receipt for everything or better yet you can pay it yourself, like soccer camps and fees at school or whatever you are asked to help pay for then reimburse yourself from the trust you'll need to create. You can look to my will for guidance on how I want to use the money in the long term.
11. I sent you a long time ago a packet of info about what she did while we were married. The reason I did this was I wasn't sure then what was going to happen and I wanted to make sure someone knew the truth. I knew she wouldn't tell it. At some point in the boys older lives they'll want to know and I want you to tell them. I'll leave it up to your discretion on what and how much you tell them and when. Maybe she will woman up and tell them, I wonder how close to the truth it will be. I'm betting she'll give some type of vanilla explanation maybe that will be enough. You'll know they'll ask you. They always blamed me, not that I'm wanting to shift the blame was much answer their questions truthfully.
12. You've got the vanguard info, the boy's college funds, SEP IRA's are there along with my IRA's. I don't believe they'll be able to take those so those should go to the boys trust. They boys SEP's might be gone after since it was last year I did them. I have a trading account with some long time holdings, some good some bad. I really quit paying attention to it. I had an index bond and stock fund; I sold both moved the dollars to DenSco to try to save DenSco.
13. I've got 1.8 million deferred retirement fund in a CD at first bank account number ending in 1963, a health savings account ending in 1425, personal checking 6377, course my business ending 5264. Contact Jennifer delory, [Jennifer.delory@efirstbank.com](mailto:Jennifer.delory@efirstbank.com), 602-952-4003. You can login under [efirstbankl.com](http://efirstbankl.com) dcmoney10, password thing1thing2. I'm not sure if they will go after that CD or not. I hope that can be moved to the boys trust.
14. Taxes, I'm not sure how it works. I know that you and everyone have paid taxes on interest you never received, I'm sure there is way to take losses or refunds on those taxes. As for my own taxes you would say, why the hell would I pay such large taxes. I had too. if I walked in and showed Dave, who's an investor and referred lots of people to me, here is a massive loss or no income or whatever, he would freak and I would be in the same position of notifying my investors. As I received payoffs in I showed them as interest income just normal course of business. When this was all happening, I was receiving a lot of them and that made my business look very profitable. However I had this ever growing large A/R of losses that Scott was accumulating while he was selling off the over encumbered houses. Yes he was making payments down on it, but it was going up faster than down because there were so many houses and the losses were large. Because if I had a lot of interest due. I would give my payoff to title as such. Then they would say, uh Scott you sold this house for 150k, the debt on it is 210k, you need

*First bank*

60k so we can close. I would wire in the 60k, put it on my books as A/R for the workout with Scott. Then they would wire me the 210k, with 15k of interest income the rest would to payoff the principle of the two notes (first being the one I had on there initially, the 2<sup>nd</sup> note was the one I added to the property if I paid off another lender). See I would bring in interest income to the p/l, payoff an old debt but the new workout agreement A/R would rise. I did this over and over again for tons of homes. Or the other scenario, is that there were two liens on it, AFG was one and I was one, when it was payoff time, I would wire in the difference, add it to my a/r on the work out and I would get back my principle and interest on my first loan. In some ways this exaggerated the A/R because it was including the interest, and it was overstating my interest income I guess, but I did collect it. That's why my p/l looked so good. But my A/R was getting larger and larger. I had to keep working with Scott so he could make money to pay it back. He paid millions down on that a/r. but once the divorce, the bk he couldn't anymore.

15. The house should be sold for about what is owed, BofA account 6817-1012-989999. I didn't make the payment due in august. They will start foreclosure in 90 days. Then it will go to auction in 90 days. I had maxed out the credit line to try to save DenSco too. ?
16. The cars, I'm not sure what to do with them. The highlander I own for cash, the tesla I owe maybe 10k on its BofA too. 650-100-314-04147, the login to the account is on my password list. Costco owes me some tire stems or something. They might call depends on when they get them in and you get this letter. I had to get new tires because they were bald. I would cxl the auto payment it's usually close to the first. Just login to BofA from my password list and you'll see the two accts there my house line and car line. Acct login 110214515 password is thing1thing2
17. My credit cards on the password list too, I didn't cxl them in case there was reason for you to allow charges to go through or to pay bills. Again I'm not sure how it works as executor vs. using a dead person's credit card. *Cancel?*
18. Carol's life insurance nightmare, I asked her to pick up the payment with help from her kids and then forward you the money once Mr. P passes. She owes me more than the policy is worth. But she's got 800-900k worth of houses she is planning to sell so she should pay you the balance from there. Just add it to the boy's trust fund.
19. Angie Nazario owes me \$4000 more I lent her to keep her brother out of jail. She gets about 9k a month in child support; the problem is she spends 9,500. Be tough on her, she can pay you back 310-709-6402, [yoangie22@hotmail.com](mailto:yoangie22@hotmail.com)
20. Thad Pike owes me 10k, I doubt you'll ever get that back. That was to get him out of jail too. I have no idea how to contact him and last I talked to nurse Nancy she didn't either.
21. Brian gittings owes me \$42,540 602-315-2961, he's basically not worked in years, he's old now, I doubt he will and he won't pay you back unless he's got a life insurance policy and add me to it or something.
22. You have my quicken. The balance in the DenSco is of course isn't right. Everything else is accurate to the penny. I've not updated some interest and dividends I'm sure. But you have access to bank and vanguard. Password is 10Million
23. Robert should take care of QuickBooks his number is 602-330-4624 if you need to contact him. I put all my DenSco files in to his drop box acct, along with a backup of

QuickBooks, he should be good. All the physical files are in my office. He's getting a long instruction list too. I gave you QuickBooks too incase you need it. password is "20million"

- ✓ 24. The boys skiing passes are paid for they are in my email under "orders" folder. But I think you can just show up and give them their name.
25. Yes I have journals on my computer. Read them at your peril. It might help to read the DenSco ones, but the personal ones I can assure you will be harder to read than what you can learn from them are limited. Honestly don't read my journals. I guess I could delete them off everything but just don't read them. They are too honest.
26. I tried to empty out of the house as much crap as I could without raising suspicions. I hope that limits the burden to the person that has to finish it.
27. Money. I'm sorry. I was going to leave you some to help things between you and mom and dad, but I can't figure out how to get that much cash to you in a short amount of time. It's impossible. I know that they will look for places I hid things but I didn't. I used u all my money trying to fix it. The money in the kids trust use to help mom and dad out. The college funds are critical. They will be there. I can't believe mom and dad will spend through what is will be in the boy's trust fund. I'm sure this will be sore subject. I'm sorry to put this one you. If you can keep my IRA's, trading acct. money market acct, CD, HSA fund, carols returns you the insurance proceeds. I think everyone will be ok. It's better than me spending all that money to defend myself.
28. I sent letters to all that I thought deserved one. If someone didn't get one you thought should, look in my computer under dcmoney/dropbox/my documents/misc/TODO. Maybe they got lost in the mail. Everything is in drop box first then go to the folders. If you don't go to that first, it's all the old files before I converted to using drop box. The accts file is my dropbox/mydocuments/misc/everything else, password to that word file is "chichis", its misc then you'll see "accts". I printed with the stuff I am sending you with all my paperwork.
29. One my citi m/c there is a \$2000 or so cash back available. You can go on line and request the money. It's the accumulating of the 2% refund since I've had the card, or you can pay a bill with it or something. That would be better I think.
30. All my bills are set up auto pay through my personal bank account. The one that hasn't happened yet, depending on when you are reading this is the new Costco visa card. 4100-3904-5829-6536 12/09 233 the only charge I've made was at black sheep for that tube. As I'm typing this I've not received the statement yet. It should go through. There is nothing reoccurring on this card. Citi bank m/c 5424-1812-2221-6892 11/18 101
31. I'll put my last quicken back up in our shared folder, so you can see it there. That's probably easiest. Then I'll add you to all my folders on drop box so you have access to anything you think you may need.
32. To get in to my house there is a in the back patio. Under the grill there is an access panel, in there is a blue plastic box. Alarm code is 1986. Just type that in to arm and disarm it. The mailbox key its number 7 right hand side of boxes, I sent you the key. I'm sure you'll have to forward the mail or something that would be easler, but until then you have the key. Robert has a key now too. He can get the checks and any applicable DenSco mail. The garage code is 1962 enter. Sometimes you have to press hard and do

Citi

Cancel

- it twice. Robert will need access to the mail box so I gave him same instructions. He'll have checks and docs coming for weeks if not months.
33. Mom and dad's Condo garage door opener is right inside my office closet on the right side. It's the only garage door opener in there.
34. I know you and others may scorn me for taking those last three vacations. I had paid for the house 9 or 10 months ago. I bought all the tickets 6 months ago I'm guessing. In June I knew I was in serious trouble. However, I figured it's bought and paid for and it will be a wonderful last vacation for them to experience. This might be really selfish. But if I canceled the trip that would have looked odd, no good reason and I would have lost the money on the house. The snowboarding vacations were booked way ahead of their dates. Yes I paid for the hotel, but I still believed I could save this and I knew how much it meant to the boys.
35. I have an AA m/c for buying airline tickets 5466-3884-2927-1773 through Barclays its login info is on that list. Just cxi, nothing on it.
36. Don't let anyone ever have access to my computer. Windows password is "focus", Ipad password is 1997. Maybe I'm paranoid, but before you get a subpoena or something destroy it, as in pieces. There is nothing on there that illegal or anything like that, but it just bothers me. All the files are on drop box anyway. The old one is xp and has nothing on it that the current one doesn't have, other than genealogy. I never got the update program for windows 7 or 10 so it sits on the XP machine. All the photos on the older computer I moved in to drop box, so you login to drop box under my account from a browsers, you'll see all the photos from old laptop and current laptop. Newest are on Ipad. The old one it takes 30 mins to boot and sounds like hell because I dropped it once and the cooling fan broke.
37. If you call Cox to cxi, my four digit pin is 1337; login on line is on my accounts list.
38. How much to give her? I was paying her \$3814 a month. The 3k was what is in our prenu. It ends after 5 years, or one of us is dead or she re-marries, she had one year left. The \$814 is what the state said I had to give for child support until Dillon turns 18 or graduates from high school, whatever comes last. Then it's 1/2 that amount until Ty does the same. She was supposed to start college funds I'm sure she never did. She makes about 4k gross a month. Yes, she pissed through around 200k of her IRA and investment account after she moved out. No I don't know on what. She doesn't live high on the hog. She lives in patio home she leases and has a 4 yr old car. How much to give her is really hard to say. Just stick to specifics. I think that if you gave her money for the boy's health care, covered all their expenses, school, camps, sports, some clothes, maybe food. You can do this all remotely by paying on a credit card and paying the balance with the trust money. I don't know. I know that my IRA's will be there. Which you would transfer in to the trusts. They shouldn't be able to take that. Their college funds are untouchable. I hope you can keep the other assets like the rest of vanguard accounts and that 1.8 mil retirement cd at the bank. I owe 1mill on the house and it's worth around 1.2, but it I will sell for what's owed I'm guessing. Hopefully it will sell quickly and at not a discount and there will be some there too. I'm so sorry to put you in the middle of this. I know you hate her and don't want to deal wither and now you have to. You can hate me. I just know you'll do what's right and fair and you'll have my boys in the best plans for them.

39. My Ipad code is 1997, same as my phone. Phone is on my desk, take it with you. If you get any vmails for payoff needs just email Robert the info. I'm sorry you'll get all the other phone calls; texts, etc. just ignore them. Easily said I know.
40. You'll get emails about DenSco stuff. Just forward them to Robert Koehler—  
rzkoehler@~~yahoo.com~~ *gmail.com*
41. When you log in to my vanguard it will send you a text, so keep my Ipad handy. Probably best to turn that feature off at one point.
42. The pool is paid for through I think Oct for cleaning, matt 480-343-3833
43. The lawn can be taken care of for probably \$100 every other week from Carlos - 602-718-7322. I always did it but he came to trim trees and does projects. I don't know if you want to have him do this, maybe dad will come over and mow the lawn etc.
44. I'd keep the utilities on at least for awhile. I don't know what will happen with the house and process. I'm debating on making the payment by the end of month. It will be three months before they can foreclose and sell it. So you can sell it before then. Wade Kawahara can sell it, tell him to do it for free he owe's me 623-326-7316
45. Or you say screw it, just let the bank take it.
46. Best you plan to fly down and probably drive back with my car.
47. I put my most personal things in your possessions, my finances, my boy's livelihoods, my journals. I think you should delete those. Maybe I should I don't know what the hell I'll do. You won't want to read them they will be too painful; I'm too honest when I type them.
48. In your drop box directory there is a file called Dropvox, it has a voice recording, 2 ½ hours mostly of scot talking. I checked, I recorded it and its legal, should be permissible if need be. But it gives the account of where the money is how they were working. I'll leave this in your hands. Maybe it will be necessary to use maybe it won't. My letter explains everything to my investors that I was aware of. But if he is trying to get out of it this will be nail in coffin. If you listen to it, he's just putting together an explanation of how he thinks he can talk his way out of it with the bk trustee. He takes all the blame. This is true! I wasn't aware of what they were doing 6 or 7 months. When I confronted him on it, he made up a story sort of telling me kind of what he's doing. I was now guilty even if they were swindling me too, but if they stopped, Scott's like I have no way of paying you back, I owe you millions you are fucked. So either you let us continue and try to pay you back through this agreement I have with auction.com or you'll be back to being owed by him to me for the duplicate lenders, and you'll be screwed, so either let us keep going or you'll be screwed. He was paying me back the principle payments and interest 100k a week, 75k a week. The workout was getting paid down, the houses were getting sold, and my books were looking better and better, except this 'wholesale process was getting out of hand. He kept saying a little longer, I'll get paid back and he'll quit wholesaling. It's just a mess I know. A slow train wreck I was trying to save the whole time. Dave my attorney even allowed us to do the wholesaling. Now at the time, he nor I didn't understand what Scott and auction.com were doing, I still don't! But he let me get the workout signed not tell the investors and try to fix the problem. That was a huge mistake. This would have blown up in 2014 with the investors. Who knows where it would be today if I had gone that route initially. I know one thing, law suits,

requests for money back, the disgruntled lenders that I was fighting with would sue, hell they sent me a lawsuit several times threatening here you go we are filing! I couldn't have run the business, pay the disgruntle lenders off on their duplicate loans, pay all the investors back that started to requests their money back, if I can't return it they sue. This is exactly where I am today. The difference between now and then is that Dave did a work out agreement with Scott, we were executing it and making headway, yet Dave never made me tell the investors. Then Scott started this screwy deal with auction.com vs. when he told me that he was buying properties at the auction. It wasn't true. Which I was receiving the copies of all the checks, and receipts (look in DenSco/MyScan/Easy/you'll see two files Checks and Recelpts) for everyone one of them. I'm sure this is making no sense. I'm sorry. I've had 2 hours sleep in 2 days and I can barely thing straight let alone explain things coherently.

49. You'll probably be staying at mom and dad's when you come down. Their friends have keys. In my closet in my office are the keys to their house and garage door opener.
50. In my desk, there are files for the cars, didn't think I needed to send them to you. You can throw them in the cars when someone buys them.
51. Make sure she updates her will that says you get the boys. The last will I have of hers from 07' says this and I highly doubt she's ever made a new one. I asked her to do this, but I'm guessing she won't do it timely. I don't think she'll have a problem with that. I hope it never comes to that. But I have to know they are in a safe place. Again I am sorry to burden you with that if it comes to pass.
52. There should be some death benefits for social security that boys could get too. I paid a shit load of FICA.
53. If you have problems with anything with her about the boys, all of our divorce docs are in Dropbox\My Documents\Misc\Everything Else you'll see them
54. I've been typing on and off this for days. I really hate to think how much time and nightmare this is for you. I'm so sorry.
55. Cancel my car insurance; I just paid them a few months ago, so they'll send refunds to you. I would leave the house insurance in place until the house is foreclosed on. I don't know how it will work if you try to sell it in the next 90 days. Because it will sell for about a million, this is what my next door neighbor bought his for a few months ago. Don't want to spend a ton of money on it. Maybe just let it go to the bank and let them deal with it. If they get a dime over their costs, they have to send it to you. Don't cancel until foreclosure goes through at auction. So it won't be for six months from now. All insurance is with George Day Insurance - Kristine Long is the contact - [Kristine.long.1141@statefarm.com](mailto:Kristine.long.1141@statefarm.com), 480-998-9477 w , 480-998-0206 f
56. I have a 5 mill umbrella Insurance that's with Duane Taylor 480-345-2331 [dtvalor7@farmsagent.com](mailto:dtvalor7@farmsagent.com) I'm not sure of the refund on that. Don't cxl this one, it might be helpful if I get sued or the estate gets sued etc. I'm not sure how this work. An attorney will know. I think Jim vanvalin or something is an estate attorney, friend of dad's, but you choose who you want. Sorry your nightmare.
57. My mind is going wild thinking about the what if's on how to protect the remaining assets. I don't know if they can go after everything I have saying that I took investors money to fund my ira or pay for carol's insurance thus they have access to all that.



Maybe you have carol change the beneficiary to the trust or to herself and then she send it to you afterwards. You may have to get a legal opinion on that on how to protect that. I'm thinking they could try to attach it since I took money out of DenSco to my personal and then sent to her. I'm really stressing now and mind going crazy. I'm sorry for this is going to be a nightmare. Jesus what a fucking mess. I think the best thing to do is as quickly as possible create the boys trust move all the assets you can as they release them or allow you too and then at the point I guess wait and see what the legal ramifications are. I don't even know who they are or what will go on. That will take months and months if not a year to get anyone to look at that. They can see from my QuickBooks that I moved money in to DenSco. If I took a salary, I kept some out to pay bills and transferred it back in. I sold mutual funds and transferred it back in. if I'm dead they can't find me guilty of anything and can't fine me for millions of dollars. That's why I'm better dead than alive! This isn't a financial decision. I'm looking at it as a well being decision, what is best for my boy's long term and to help mom and dad. Plus I would have to face all these people my family, my best friends, neighbors, I can't even imagine those discussions. It's not a financial decision based on me it's for the boys. I can't leave them nothing and depend on their mom. I just can't. Will they survive yes, but I can't leave them in such a bad position it's my entire fault. I rather sacrifice myself for them to allow them to go to college and start a life. Be able to have an upbringing that isn't charity and handouts or whatever may become of how she would raise them. I know everyone would help out. Should I be sitting in jail, or let's say I go to jail they just fine me for millions. I can't provide for them again. Its' my only choice. I rather not have my boys say I'm in jail. Or that I'm a bum and can't provide for them. I'm desperate to do the right thing and I'm sure I'm doing it. As much emotional pain as its going to bring to everyone. I know I'm a coward, I'm selfish or anything else you want to say I know this is the best for my boys and mom and dad. I have to do what is best for the four of them. I'm' so sorry for the shame and embarrassment mom and dad are going to experience. They don't deserve this, how do I make it up them? I put them in financial straits. I've ruined lifelong friendships, I've done all of this. None of it intentional or purposeful but I'm responsible. I know they are proud of me, brag about me they are parents. I've absolutely ruined them. No I'm not man enough to live with that. To face them, Uncle Arden, their friends, my neighbors. What do I do point the finger and say Scott screwed me he defrauded me, yes it's true. But shame on me. I'm responsible. I'm the one that was supposed to ensure that didn't happen. Despite my best efforts and years of experience I missed it. When I tried to fix it, I didn't do the right thing and come forward. Now I've compounded the issue and its worse. I'm responsible. That how I see it and that's how the court will see it. I can say I didn't intend, they might even agree, but there are fiduciary and morally responsible things to do and I didn't do them, fear, drove most of those decisions. I talked Dave my attorney in to allowing me to continue without notifying my investors. Shame on him. He shouldn't have allowed me. He even told me once I was doing the right thing. You might ask how can I look you and mom and dad in the eye and be ok with it all this time. I must not have a soul or a conscience. Just the opposite. I had such remorse and guilt that drove me to work day and night and put more money in to it to try to save it and fix it. I've not been able to sleep. I know my

mood is foul. Hell I had a physical because I was feeling so poor, I took a blood test and some numbers were so bad they thought my kidneys were failing. I read on it and if it's not that, it's stress. They just called me the other day because they want me to retake the test. For the longest time when this first was made aware of it. Things were improving for months and months. I was hopeful I could fix it. my balances and spreadsheet were looking good, we were selling home, we were getting rid of disgruntled other lenders who were threatening to sue Scott and probably me (which is stupid, because I didn't do anything wrong), go to the local paper, every third day they would threaten me, well not me but Scott and me and everyone, thinking that we had conspired or something. Yes, I wanted to be in second position on all these loans. How insane is that thought? But the threat was enough to ensure that we couldn't let it happen. Because if I didn't pay them back they sued, I wasn't at fault at all! When I say this they are going to sue Scott. Because I had a lien on the properties too, the properties would be locked up until it was settled. However, going through the courts and lawsuits would take months if not a year. We couldn't sell the properties, my cash flow would be slowed to a trickle, then my investors would get nervous and request money back, I wouldn't be able to meet all my withdrawal notifications and I would be in violation of my covenants then they would sue, it would all spiral in to hell. That's why I agreed to pay off these guys and take control of all the home loans even though I was in an upside down position. But the numbers were so big and the losses were growing, Scott for months was paying me down but not as fast as the balance was going up. I should have come forward then. It would have been a downward spiral and I wouldn't be facing any criminal charges, just civil and maybe huge fines. However, even that wouldn't have been applicable. The fraud was done against me; I had no knowledge what so ever! I could have come forward to my investors, they would sue me, the other lenders would sue, everyone would sue and it would implode. I absolutely knew that. See if an investor requests their money back, I say that I'll do my best to return it to them based on their request date. But legally I don't have to redeem it until it's due. That's what all the paperwork says that we sign. However, I have 100's of individual investments from a 100 people. Every other day a note matures, so as they request them to be redeemed I wouldn't be able to redeem them because the money isn't coming back in because all the lenders are suing each other to see who's in first position and that would take months if not a year. So our plan was let's get rid of the disgruntled lenders, take control of the properties, sell them off, keep operating the business, keep paying the investors their interest, redeem money when requested and over time Scott would pay back the loss accumulating from the deficit of the 2<sup>nd</sup> positions. Do you see why that was a better alternative? Dave my lawyer, negotiated the work out agreement, and endorsed the plan. Then when Scott said hey, let me buy some foreclosures, flip them, wholesale them, etc so I can make money. All the other lenders wouldn't lend to him. I needed him to make money now more than ever before, we went to Dave, and he gave some constraints on how we were to operate. I followed them. I have all the documentation. I received copies of checks made out to trustees, receipts from the trustee's. I had all my docs signed, I recorded my mortgage, I had evidence of insurance, and I did everything. Once he paid me back I received back my principle and interest. He

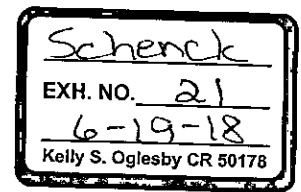
was making money and paying down the workout balance that was accumulating. The houses were being sold, which of course would drive up the balance, but we were making progress. That's how I was able to look at everyone in the eye, that's how I was able to sleep at night; I was doing the right thing to get things back in the balance.

58. Then I find out he's got some "arrangement with auction.com" which I've never been full made aware of, I believe is a scam. I've been providing the funding for and now I'm guilty. What am I going to get anyone to believe I could lend this man this much money and not be aware? No one would believe me. Even though I was getting all the security that I would normally get if it was legit. I'm not making sense I know. I'm running on no sleep and I can't even make sense of what I'm saying.
59. I know I'm missing or forgetting to do a dozen things. I really tried to cover everything I could to make it as simple as I could. I know your emotions are running high. You are mad, angry, in disbelief, my boys are a mess, the family is a mess, the investors are all the same, I hurt them financially and broke their trust. I checked out. It seems unfair cowardly, stupid, selfish all those things. The difference is that by me doing this it shields my personal assets so that I can provide something for mom and dad and the boys. I can't leave that burden on you girls. That is the reason I'm doing this. I know the boys can't understand and I've scared them for life. The guilt is so overwhelming that I've hurt my boys I can't even think about it because I go crazy, yelling, crying and then I say I'm not going to do it, then I think now what, I know what will happen to me. How is that better? It's not. This is better. I know I had no intention of doing anything illegal. But I know that the law says about fiduciary responsibility and there has been money lost. This means there are penalties both legal and financial. That would be devastating in both counts and I would put my boys and mom and dad in worse shape. You are the closest person to me in the world and I just shit all over you. I cannot make it up to you I can't fix it, I tried, and honestly I did everything I could. It will only get worse from here. I have to stop it and try to minimize the negative affect financially on family despite the emotional damage I'm doing. I feel like in time that can diminish. The Financial problem only would get worse if I don't shield what I left to help out now. I've been reading for hours. My estate will go to probate. The only ways creditors get paid are secured. You'll pay those. The unsecured will have to get a judgement. You can't get a judgement without a conviction. You can't get a conviction on a dead person. The only way I think I can protect my remaining assets are to die before any criminal or civil cases come against me. I could have avoided the probate court if I would have got my shit together more quickly, but I just didn't have time. I apologize. Now that I've read all this stuff I am convinced now is a better time than later. If they open up a case against me or convict then it's more likely they will have the ability to come back and take some assets. This way I think I'm protecting them. This all could happen in a matter of weeks. I could somehow get myself to the end of august maybe. Here is the thing. I have a small portion of the portfolio actually working like's it supposed too. But I have to pay out 250k a month and quarter end 500k to pay investors interest. Plus I have redemption requests all the time. Thus I'm running down my cash to nothing. I can only do a few loans a month based on what loans pay off to me. But it's getting smaller and smaller as the months go by. I'm not going to raise any money. This is the downward

spiral I'm in and I can't get out. Is this week or next week or three weeks, two months? It's all got the same ending. But I can't continue like this. It's eating at my core. Timing will never be perfect. There is never a good time for this. If I pushed it out two weeks or two months. I would be in the same situation.

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# **Exhibit No. 82**



2014

- 1 Stay in business – still in business
- 2 Be profitable 1.3 mill
- 3 Diversify my borrowing base, horrible, scott has nearly 80% of my portfolio!

1-2

I spent an hour on the phone with Scott telling me all the shitty choices in front of me. These guys want to pin me against the wall, we just want to continue doing our plan and they want me to subordinate. I'm just so messed up over this. I will find out more Monday. I funded three deals, threw cash at one of Scott's deals so that I could get paid off tomorrow. I had one big payment from mike. I've got 3 deals tomorrow or 8 I don't know which.

1-3

I funded five deals, plus I had to wire in funds to close one of Scott's deals on 62<sup>nd</sup>, that's 280k just for yesterday Clifton and today's deal. I had it all done, and then I had to come back down the hill to fund the 510k one for Dee McCall. I had two payoffs and lots of payments. After noon it was quiet. I'll have a lot of work to do this weekend to catch up.

1-6

I funded four deals, I had four payoffs. I had a lot of payments in too. The whole day surrounded meeting with these three guys that represent about 40 loans that want me to subordinate to theirs to give us time to work it out. I didn't commit to anything, I forwarded it all to David, it's his last firm is representing them. I talked to Scott, not sure how it's going to go. I can't subordinate, we need time. Scott's freaking out because his wife is in hospice now. I can barely think straight.

1-7

I funded one deal for Flip. I had seven payoffs and few payments. I talked to Scott again for 30 mins. He's trying to raise some millions now and push off this whole issue with the pressure I'm getting. I emailed David a long explanation of what has gone on. I didn't hear from him. I'm not sure where this is going to go. I just keep hoping I'm doing the right thing.

1-8

It finally caught up with me, I was up all night thinking about how to get out of this nightmare, raise money and start paying off as many of the loans as possible even if I'm upside down and six other ways to get them to back off. I talked to Scott in the morning, he has a guy that's going to give him a million right away, so we are going to try to pay off 4 a week and as well as the other dozen or so in escrow, in 30 days we'll be able to chip a lot of this down. I have no idea if they will go for it. I had a shit load of payoffs, 800k or so. I funded one deal and quite a few payments. We meet tomorrow see what we can work out.

1-9

I funded no deals, or had any payoffs. All I had was Gary wanting me to create two new loans instead of one big one a house because he's selling it to his daughter. Scott and I met with David. He never read my email. We spent two hours. Either it gets really ugly or I can write a check and make all of these loans go away and we can live with Greg for now and I'll just be over encumbered on some houses for a while. He's going to contact the lawyer tomorrow and let us know.

1-10

I didn't sleep until from 5 to 8 am, not ideal! I had calls from Greg three times; I talked to Scott five times. Dave didn't call me until after 3. I called the main guy behind this whole thing and he's got such a fuck you attitude I can't stand it. Finally at 5pm Dave called, said they would give us time to clean it up. I talked to Scott; he is going to try to bring in money. I can raise money according to Dave. We are going to try to pay them off in weeks and be done with them. Then I'll be in first position without any question. However, Greg is telling me I'm in 2<sup>nd</sup> position on 100 loans! But he doesn't care as long as he has his interest and is getting payoffs. It's going to put me in a really shitty position LTV and concentration wise with Scott but as long as he does what he says he is going to do. We can work ourselves out of this mess. I can't see any other option. I funded one deal and I had a larger deal payoff. Now I want as many payoffs as possible. I was freaking out all day long. I can't believe I'm in such a shitty situation. I've done everything right yet, I'm the one with my back up against the wall. The one thing that is helping us is the procedure that I follow to fund the properties, was blessed by the attorney's right hand man that is threatening me. He's now worried I can come after his law firm for damages. I just know I rather have control of the properties in a worse LTV than have them wrapped up in lawsuits!

1-13

I funded three deals, and then Lili finally wanted 625k which she'd been asking me about. Typically I would be thrilled to lower my cash position, now I'm sweating it! I have an investor that wants 100k, on top of the 800k I have to return by month end. I had a bunch of payments come in. I talked to David. They are willing to do what we want, except they want to see the agreement between me and Scott and Scott has between some other guys. I just keep pushing get us your list and let's start pounding through these. They wanted to meet with me and ask questions, I have no time for that. I just want to get going on it. Even if it puts me in a high LTV position at least I have control.

1-14

I funded two deals, now I'm getting one back. I wired the money back to an investor in Tucson that decided she wanted her funds back. I had one 400k payoff and I deposited a 150k from Jolene Page, 40k from Carol Wellman. I talked to Marv he's going to do 400k. I had a dozen calls with Scott, emails with him and David, escrow, everyone is trying to figure out how to get together and sign paperwork. All Scott and I want to do is pay these assholes off. We have a plan

to do it. I've got some funds, he's got some funds, and we are just going to start doing it. What are they going to do bitch?

1-15

I had another incredibly busy day. I was just swamped all day long. I funded three deals today, plus I was able to pay off one more of the disputed deals. We have three more we are going to close tomorrow. They are pushing like hell to get docs and get terms sheet etc otherwise they are going to file. Scott and I are trying to pay off as many as we can as quickly as our cash will allow. I had two payoffs too. That helped. I've got more coming in. I had a lot of payments too. Besides this nightmare I'm getting lots of demand. I have to keep funding other deals to create income. I've got 300k in from the miller's. Herb didn't have his 100k like he thought. Then out of the blue the 800k I have to return to Laurie Weiskopf, she said she didn't need now. That helps tremendously. I'm getting physically ill again.

1-16

I funded three deals, then I funded three more deals to pay off loans from the nightmare. They got four in all today. I had one payoff. A few payments. I spent 90% of my time dealing with David and Scott and verbage on these terms sheets. In the end we think we have something, we just have to hear back from Scott's attorney. Then David and his former boss couldn't work out this lidigation agreement since David used to be there. So now we are on to another attorney. I have no idea if that is good or bad or what the hell if they are going to file tomorrow. I'm so perplexed I can barely think right now.

1-17

I funded three real deals, then provided funds for four more deals of Scott's to be paid off. we were able to get done today which we thought weren't going to go until next week. I sent an email updating the guys on where we are at, I received back just threatening emails from them. I feel alittle more settled now, hopefully whomever their new attorney is works better with David.

1-21

I spent all night long thinking about this nightmare, Scott was in NY and called me. he raised 2 million to pay interest and that should buy him time to bring in more money to pay off some loans and also make some money. We have a new idea. I payoff all the loans for nightmare group. Then the overage I put on gregg's loans, then scott will pay off gregg's loans and he sells the house I get my money back and everyone is paid. We went over this on the phone for a hour a 1/2 dozen emails. I emailed and calld David, he approved. We had 6 more to do today, but title couldn't do it. I raise a million more from Bunger, I might get a few hundred k from Kirk. With the closing in, I could probably pay them off in 2 -3 weeks, though we are not sure we have that time. Scott got pissed and talked to Eyman, who brought these guys in the first place. It's 7pm now we are waiting to hear back to see if they will give us a flexible time schedule. I'm shitting bricks waiting to hear. I'm just so paranoid about them filing a suit and screwing up this whole



thing I had a few payoffs today which helped my cash. I turned down some deals too. I have to get these assholes paid off so that we have the ability to work out our plan.

1-22

Scotts NY attitude worked, they agreed to 12 this week, and then 5 a week there after. Now we can breath, we can operate and I can sleep. we closed 5 of them today, Debbie fucked up on one of them, so we'll do it tomorrow, the others on Friday. I funded two other deals, I had three payoffs and Steve wired in 500k more. I had to return 200k to Miller's for taxes. I was super busy all day, plus mike and Rob came by for their quarterly meeting so I was behind a few hours. I am back to running a business now. When I was looking up some of these properties, they had appreciated quite a bit, so we aren't nearly as upside down on them as we thought after my 3<sup>rd</sup>, once Gregg is paid off, there is still equity in the property. Once scott starts getting these recent purchases flipped and making money, things will march pretty quickly in the right direction. For the next 60 days, tehspread sheet is going to be really fucking ugly, but it will improve nearly every week after that. As well as the interest will start to be paid.

1-23

I was so damn busy today, I funded three deals straight away. then Debbie had everything ready to go on seven deals today for the assholes so I did them. It takes me hours to do all the docs, recordings, wires, searching for a new property, comping, bookkeeping. I had a few payoffs which helped. Scott said he's flying to isreal, he's got a hearing with a judge to recover 2 million. Holly shit if we can get some of that soon, it would make a big difference. To my count we only have 28 loans left with these assholes, then scott can mainly concentrate on flipping for profit and selling the ones that are free to do so.

1-24

I funded four deals, I had five payoff, which I need, because I need more money next week to payoff those assholes, plus I have Weiskopf wants 675k next week. plus I need to pay the investors. It's going to be a thin week for deals. We had our mom's meeting big turn out, I just blabbed the whole time. I'm glad this week is done. Scott left for Isreal and hopefully he comes back with some damn money.

1-27

I was so busy today, I barely got it all done. I funded three deals, I had five payoff, I had a lot of payments. I returned 625k to Weiskopf. I did end of month over the weekend, all the payments will go out tomorrow. Scott says he thinks the judge is going to give him the order for the 2 million from this company, now it will be how quickly can he get the money out of them I'm trying to raise some more money so that I can payoff more of these damn loans from the asholes group. I can do 5 this week, I pretty sure, I just need some more payoffs to come in to allow me to breath a little bit.

1-28

Scott emailed me and said that he is getting 1.6 million March 13<sup>th</sup>, that goodness, that will help tremendocusly! He's got a few million coming from NY and from Isreal besides this. It was a quiet day which was nice. I funded one deal on an overage, which then paid off another deal. Scott sold a few properties and also got some money back from Trustee's so I got back three other payoffs. I had a few payments too. I'm waiting for my stack of deals to fund on Friday. I'm taking in 750k from an old borrower out of Utah, then john Schreiber called me and wants to give me 400k or so. I'm going to take it because he watns to give it to me, about when I have to give back a ton of money to my investors for taxes.

1-29

I had a quiet morning. I had a bunch of payoffs, scott ended up wholesaling a bunch of properties, plus some trustees returned checks on BK's. Kirk sent me 600k more too. I'll be getting 400k or in from the guys in UT. I'll be funding about 1.6 million tomorrow it looks like. I'll knock down just 5 more loans off the assholes list, but it's over a million dollars. Scott needs to come up with some cash soon to start paying some stuff off I don't know if I can run overages over the rest of his properties to cover the dollar amounts I'm paying these guys off. we just need to struggle to get them paid off and then scott can start working toward paying greg off.

1-30

I funded five more deals today. It was over a million dollars Scott says he's got about 20 in escrow, a combo of ones I've funded 95% and some of gregg's and some of that are clear. I had a lot of payoffs today. Plus I had 400k come in from Ryan in UT. I've got funds to know off some more next week. it was a really busy day I also drove up to Scottsdale to meet and look at this house that Sammy is working on. He thinks he can sell for 1.4, I hope for 1 I'm going to give him some more money against it because it's really far along I hate doing these types of deals, but I think it's solid. Now to do statements.

1-31

It was a crazy busy day, which I't snot always like that for end of month. I funded four deals. I had six pay off, I might have more if Bennett pays off the two he said he would. He might deposit a check tnight. I had a lot of payments. I lost about 100k this month. I never cashed the check from Scott for the interest. I hope next month the number of deals from him which will lower my risk and bring in some much needed interest. I have to try to pay off another 5-7 next week.

2-3

I had a really busy day, I funded three deals and started working on the 7 deals we are going to payoff this week. it's going to take me several hours to come up where to put all this money on other properties. Soon, Scott has to come up with cash himself to close these. I had a few payments, and I had one payoff. It was actually a return of an auction deal.

2-4

I was so busy today typing docs for the 7 deals we are paying off tomorrow. It takes me hours to do. There is so much extra work. Scott told he has 30 properties going on the market this weekend, most of them are the ones I've paid off the 2<sup>nd</sup> and then lienied with my money. So I'll be getting all that money back. He's wholesaling most of the ones he's buying now, taking a quick profit. He's going to start getting money at the end of the month so he'll pay off Gregg's loans so we can sell those houses and get the profit back to him. I had a few payoffs, and a few payments. I'd be able to go to the boys school if I wasn't doing this work all day long! The forebareance agreement is going no where with the attorney's. it's become a fight. We are going to have to spend time in a room together to work it out I fear

2-5

I was super busy today, I wired out over a million dollars to pay off the assholes today, did 7 loans. I think we are under twenty now. Scott had 800k worth of deals too. Fortunately I had over a million dollars in payoffs come in unexpectedly too! I had a few payments too. I went to lunch with Tom Smith. I worked until midnight too. It takes me so many hours to do these payoffs to the assholes, I hope to be done by the end of the month.

2-6

I was super busy in the morning. I got almsr everying done before I left for Mark's office to do my finance class. I got back and was super busy until I left for the day. Lilli called, sheneeds 2 million for next week. I committed toher and now I have to pare down the payoffs to the assholes group so I have enough money. I'm still hoping to do at least 5 more next week. One my list we are down to 23, not sure if it's 100% accurate but we are close. Two more of the Gregg's loans paid off today too.

2-7

I was so damn busy agin. I was on the phone with David and scott off and on trying to find middle ground in this crap to make this agreement final. Now david is telling me I have to tell my investors. I'm just so stressed out I could have a heart attack. I had two payoffs come in, I had a few payments and I don't have eough money to cover lili's deal yet. But I have a week.

2-10

I had to wire in 198k out to close a Scott deal, but I got 227k back. I funded two more of his deals, but I should get those funds back on Wednesday. I told him to quit buying I'm out of cash, he bought another one. I don't have money for it. Yahoo email was down the entrie day, completely fucked up my productivity! I'm still working and it's midnight. Now Lili wants me to close her deal Wednesday. I don't know if I'll have funds for it or not. I was going to wire in funds for paying off 3 more deals for Dan's group, but I don't have funds for that either. I need a lot of payoffs tomorrow but I'm not sure I'll get them. If Roger's would close that would help a ton!

2-11

I didn't sleep all night. Lili wants her deal funded tomorrow, Scott bought a 200k deal, I have 300k I have to wire to escrow to payoff more of dan's deals. I couldn't come up with enough cash. I emailed Brian, he sent me 500k, I called Ryan, he sent me 300k. that gives me enough to cover everything. We paid off 4 more loans this week. we should have some more gregg's loans closing next week. we got a little closer on the agreement with david and jeff, will beat out the language. I had two other payoffs today. Roger is still threatening to pay off his four deals tomorrow or thursday. That would be great, for interest and for liability.

2-12

I finally had a quiet day. I wired away 2 million for Lili's deal, 300k to payoff three deals of Chris's, then one more wire to close a Chris deal. So we are down to less than 20 deals and around 1.5 million. I get those paid off in the next few weeks. We'll have a huge issue behind us. I had one payoff for a deal that Scott wholesaled. Roger I had to forgive his debt on 4 deals so he could close them. I couldn't collect it if I took the properties back anyway. He'll pay me some day, sure he will. It will be quiet while I'm gone since I've got no money. I've got 62.4 million lent out, I have might have 300k in my combined accounts. Scott thinks he can have 10 more properties for sale soon. The more that close the better. I've got 34 million of my 62 million lent to him. In the next 60 days that should be cut down by a third.

2-13

It was a quiet day, but I was hoping for more payoffs. I only had one come in. I funded two extra deals, 30k and 10k. I need cash bad. Scott needs 500k to buy, I need 400k to pay off dan's group next week, I need 300k to pay my investors, Adam needs 400k next week. that's more than I've got coming in next week. I can't believe if I had another million I would be able to put it all to work. I had a few payments too. I'm ready to leave now.

2-14

It was a good day to be snowboarding. I think I had four calls all day. I wired some money first thing for Christmas. I got one payoff in and lots of payments. The Scott and Jeff vs David saga is continuing. I need a ton of payoffs for next week to keep everyone happy. I'm trying not to stress over it this weekend.

2-18

I funded one for 30k, and I never had any payoffs and few payments. Scott wanted to buy, but I couldn't say yes because I was so short money. We have to pay off 3 deals for Chris's group, Adam wants money, I can't fucking believe I'm so tight on money. I have 3.5 paying off between now and the end of the month, but I can't part with the little cash I have until I know we have these deals paid off for Chris's group. We are going to fall behind the plan of 5 a week, but I can't do any more than that.

2-19

I had nothing to fund. I had one payoff, which was a deal from Scott that he whole sold. I should have a few more closing next two days. I couldn't fund the deal for Adam. I have a million, but I need money to pay my investors and payoff three more loans of Chris's group and I have to fund some Scott wholesale deals. Boom a million is gone just like that. I should have a lot of payoffs coming, but so far one this week. I had a lot of payments. Tomorrow is the meeting with the lawyers, that we hope to finish this damn thing. I put the property I took back in escrow, though it doesn't close for 2 months. I got them to raise the price a little to compensate for it. I'll get back my principle, fix up costs and most of my interest.

2-20

I funded one deal for Scott and then left for the meeting with the attorney's. They were no better in person than they were in email. David lost his temper more than once. We went back and forth for 3 hours. We broke up and came together, finally we are down to one point about the release. The lawyers are trying to word it to make each other happy. I had two more payoffs of his loans today. I'm paying of Dan's group, 3 more loans tomorrow. Plus two of Gregg's loans are paid off to me tomorrow. So again we are making headway. But at a point we are going to run in a road block of properties that I can over encumber. Scott is going to have to start coming in paying off some of Gregg's loans. I told David the dollars today, he about shit a brick. I explained to him how I got there and how far we have come and how much better we are today than in November. Though I'm not sure he understands that. My balance sheet isn't looking much better, but it will start to swing in the right direction in the next 30 days. I'm more concerned about telling my investors and their reaction to the problem. I have to tell them and hope they stick with me. If I get a run on the bank I'm in deep shit. I won't be able to fund new deals, I won't be able to payoff investors and won't be able to support Scott. The whole thing craters.

2-21

I did all of Scott's loans, wires and then the payoffs came in. I got three more of Chris's group paid off, I received three payoffs, two of which were 95% LTV deals, one I had to load the cash on other properties. Again, more headway in the right direction. Roger's three deals paid off, no interest, just principle. I would have done the same if I took them back and sold them. He's supposed to pay me interest on them, I doubt I'll see a penny. I talked to Dave, he found out what we already suspected, there is no way we can give what Scott wants. I'm not sure where this will lead us. We talked about telling my investors, we are going to put that off as long as possible so that we can improve the situation as much as possible. We've got another 15 more that are closing next few weeks. We could be close to under a 100 problem loans within a month. I just have to keep telling myself I'm doing the right thing to fix it, no matter how much anxiety I have over this issue. I didn't sleep more than 3 hours last night.

2-24

I funded two deals for Scott, both are supposed to come back this week. He's wholesaling now more than retailing. I funded another one for Christmas. I had a lot of payments in. The lawyers

are fighting over the words, now scott's attorney is going out of town after Friday. I was stressed out all day thinking about these investors. Coralee is trying to sherriff auction McKmley now I'm owed 50k more than what it's worth. Roger is now going to give me back 4 houses it looks like. I'm back to being a land lord again! I'm missing out on so many good deals right now with good borrowers. But I have to have cash to payoff dan's group, 5 more loans should be gone this week. we've got 22 in escrow, 6 of them closing this week just keep pounding down the laons, however, I'm not sure how we are going to pay off theloans that now have triple encumberances on them.

2-25

I finally started receiving some payoffs. I got six of them, two of them were small. I funded one deal. I have a bunch of deals to payoff of dan's. I've got more money coming in. I'm really struggling with how to get this deal solved. I talked with Scott for an hour, we went over like three more scenarios. It all boils down to him coming up with cash. He does, that we'll be able to pay off a lot of loans, in numbers not dollars. Then his attorney sent over a 35 page agreement which was completely different than what scott agreed too. I swear they are just drgging this out and have no intention of signing anything. I know I'm not going to sleep tonight! I've bene up since 2 am already!

2-26

I slept maybe 3 or 4 hours again last night. I funded one deal. I had nothing payoff today, I'm hoping for a few tomorrow. I barely functioned all morning waiting for Scott to call. He finally did saying Gregg is willing to work with him. We've decided it's better to sell these properties as quickly as possible, take the losses and move on. Scott will sign a promissory note, it frees up from paying interest, I take a big hit, Gregg takes a hit, and we move on. It will take me 2 year to get back to profitability I'm guessing. This may allow me not to do what David wants me to do, I don't know. I never got to talk to him. But what we are doing isn't going to work fast enough and we'll have a big hill to climb in the end. I'm just so sick over this I can't function.

2-27

I talked to scott again, he agreed to everything this morning on how to work this out. I talked to David, he's thinks it fine so we are done. Now Gregg is acting up and watns interest paid in advance. This is the why we need to pay him off quicly I paid off three more dan's loans. I had two payoffs come where I had advanced 95%. I had a bunch of payments too. However, now we just need to get this signed and start working towards selling these houses. We have a plan for that now too. i took back 4 house from Roger today. I'm going to try to sell these damn things too, I'm not going ot sit on them with a tenant for a year. Now I'm going to do statements.

2-28

I sent the statement last night. I had payoffs but all late in the day. I've got now over 1 6 million. I've got more of Scott's payoffs coming next week. working without this cloud over our heads is refreshing. I wired him 100k to pay Gregg his damn interest. By the end of the month, 1/2 of his

loans might be paid off. we hope to have 100 loans paid off by month end. I've got to put the money back to work, I'll will return it to folks. I had a ton of payments, but I'm still down 154k for the month. Once we start selling these houses and I get my accumulated interest back in I'll have a better march. I worked ½ the day on McKinley property, dealing with a real estate attorney, emailing Coralee, I can protect myself and rid her judgement, it will just take time. I'm asking her nicely what she will do and not do, she won't answer me. Next week she will be at my house I can't wait.

3-3

I had a quiet morning, so I left for Ty's school. when I came back, scott had bought 5 properties, I had 5 payoffs and several payments. David called me telling me of adlib info to scare me about dealing with scott. I can't control what others are saying in the lawyer community. I have to get this done so that I have something in writing and do the best deal that I can do.

3-4

I funded six deals. The four for scott he had sold by noon, he said he made 30k. it will take a week to get it all back to me. He bought two more today. He needs to make about 50k a week wholesaling. I had a few payoffs and some payments. I've got a lot of people that are late on their payments right now. I engaged a lawyer to rid me of Coralee on the McKinley property. I know she'll be a pain in the ass until the end. I'll plan to return her funds to her this year too. I don't need that bulls hit.

3-5

I had a super busy day. I had four to fund, and I had eight payoffs. Mostly they were scott's wholesale deals or rescinded deals, but I've got money in the bank now. I can payoff five of dan's deals Friday no problem, plus they have two more closing, we'll be down to three. I paid for the food today. It's a lot more than I was expecting, but hopefully they all like it. I got a few payments in, but not as many as I was hoping. Scott is making good money wholesaling, now he needs to sell more of these houses. I have to lower my exposure to these homes. But in that I'll have an unsecured note to him too.

3-6

Another quiet day, I funded two deals, and had no payoffs, a few payments though. I took down the docs to a lawyer's office to foreclose on john so that I can rid myself of Coralee on the McKinely house. Auction set for June 10, I probably will get a contract this weekend to close in a month. I've got over a million to send out tomorrow for Scott. I'll get ½ of it back if the closes come in that are supposed to happen. Dave is supposed to have our agreement done too.

3-7

I funded two deals, paid off 5 of dan's deals, and wired overage money for 2 of dan's deals to close. We have three left, plus the issue with the trustee's deed one on Potter. I had six payoffs

6  
too. The two from dan's group, and then two of PG's which is good, just leaves me with the two land deals and one deal on 13<sup>th</sup> that was supposed to close today, probably Monday I had a few payments, not many David is supposed to have this agreement done today, so we can review, I hope it's what scott wants so that we can be done with it.

3-8

I got everything ready for the party early. The food showed up on time, it was 2x the amount of food that we needed. Everyone came but maybe 1 or 2 people. Coralee and Gary came, hardly spoke to me, which is fine. they will get their surprise this week. I enjoyed talking with everyone, I don't know why I get so stressed about it. it was all over by 6pm. I met Tom Weiskopf finally. Everyone loved the food, they just didn't eat enough.

3-10

I had a wild day I was busy in the morning. I had emailed everyone and said I would have money this week. Chris took 350k, Adam wanted 200k, Scott bought 500k worth of stuff, and I was nearly out. Then Lili called saying she was going to pay me off a million dollars today, so now I have money again. Scott is wholesaling properties before I even record docs. Hopefully he's making money on the damn things. we've got about 20 properties in escrow and more are listed now, so we hope to get a lot more in the coming weeks. He's trying to sell 10 or 15 to a hedge fund too.

6  
3-11

I funded two deals for Scott, he sold one before I got the docs back. We talked to David, I think we've worked it out. David changed and said now I have to tell all my investors. Scott and I are going to try to fix this mess in 30 days and that way it will be a minor issue. I had two payoffs and two payments. Tomorrow will be more busy with deals and payoffs.

3-12

I funded five deals, I had three payoffs. I received in a lot of payments too. I talked to David again about the agreement, he made his changes, Scott had more. It just never ends with this. I've got the last three properties ready to be paid off of Chris's/Dan's list. Scott and I have decided he'll buy a bunch of properties, and we'll pay off Gregg that way and then sell the rest. We can clean this up much more quickly and lessen the loss.

3-13

6  
I had a really busy I funded four deals, plus 50k to Shawn. I had four deals payoff and lots of payments. I've got about 10 deals to fund tomorrow. Jim McArdle came over to ask lots of questions and talk about retirement. I know I've got at least 6 deals paying off tomorrow. I'll probably return some funds to UT tomorrow too. Scott finally agreed to the wording, now he wants to change the terms. Which he might have a good idea. We keep changing it to try to make the right balance between over encumbrance and an ugly sized secure note.



3-14

I funded the last of the three deals to pay off dan's list. Feels good to get that behind me, however, it was anti climatic. Now to work on Gregg's list. I had a few other deals to fund too for scott and Mike Moore took a little money. I had two payoffs and a few payments. I was busy in the morning. I also drove up to see Sammy's house. He's got the house 80% done. It really looks good, I'm anxious to see what he can sell it for.

3-17

I only funded two deals, but I hav two payoff. Scott boughta lot for tomorrow. I had a lot of payments made too. It feels nice to know we don't have any dan's loans. Just one, left, which is in dispute. David has more changes to make the to agreement that I asked him to make. Sometimes I ask him, I get it back and it's not done. I can't wait for the next bill.

3-18

I think we have the agreement done, Scott is going to read it tonight. He'll probably just agree to be done. I funded four deals, I had three payoff. I've got a lot paying off this week. I had a few payments too. Scott has the first 5 lined up to start paying off Gregg's loans. I want to start seeing this and I need to see some of the older loans start paying off. I want the interest to start coming in.

3-19

I funded three deals, and I had four payoff. I've still got a ton coming in before Friday, which is good, because I need to return 500k to Major Miller next week. I've got a stack of deals to fund tomorrow for scott. He's going back on forth on how he wants to do this, but we'll find a way to do it. David has to do some more changes for Scott now.

3-20

I funded six deals today, 5 of them for scott. He paid me back on three others today. Christmas is selling a lot of stuff, so he has been paying me back too. Scott finally agreed to agreement. That's done, I have to do some numbers to fill in the blanks, but otherwise it's ready to be signed. I have no idea if it will ever be used, but David assured me I'm in a good position. Now Scott is trying to figure out what he wants to do, sell all the properties or keep and rent them. We aren't going to his five props tomorrow because of HOA delays.

3-21

I funded three deals for scott first thing, went off to my mom's meeting, it was the smallest group, 9 of them. If next time we don't have 15, I'll cxl it. hell I need more borrowers. I had four payoffs, which was good, because I'm running low on cash and I have abig week next week.i got back and funded two more deals in the afternoon. I have 4.5 million closing next week, I'll need

6  
it all to cover what's on my desk and requests for cash back. Only two payments came in. once we start paying off gregg's loans, I can capture all that interest.

3-24

I did 80% of end of month on Sunday, so that feels good to get done. I funded five deals, and I had three payoff. I need more money to come in because Lili wants 2.5 million on Monday. I told her to find an alternative back up source. I should have it because ih ave 4.5 supposed to close but ½ through the day, 500k of that was moved to Monday. I had few payments in, the late ones, so that was good. Sammy called wanting me to give him more money for his house, I told him no. I'm already too deep in to the house. I rather take it back 90% finished then give him more money. We went round and round, but it didn't change my mind.

3-25

I funded three deals and I had three payoff, I had a bunch of payments made. Lili is calling me wanting me to fund this 2.5 million deal, which is fine, however, I told her I won't know until Friday. I've got 3.2 million coming in by Friday and 700 by Monday. I don't kow if I'll make it. we have the agreement done and notes done so hopefully scott will sign and we'll be done with it. he's supposed to get his money from isreal now next week, I hope it comes or we can't do the refinancing part we had planned.

3-26

6  
I funded three deals and I had three payoff, which raised my cash position. I had a few payments too. I had talked to Lili about her 2.5 million deal, and I've got a few other borrowers that want money, a few that are pushing their deals off. I was stressed I wouldn't have enough money. Then I get an email from Ryan, I was thinking he was going to ask for 700k back, instead he wanted to give me 2.5 million more! I said I'd take it. I figure I can put it to work on Lili's stuff, fund my guys stuff with my cash and then with all the money coming back in I can slowly start paying back investors and give me some breathing room.

3-27

You never commit unless the money is in the bank! I learned that rule a long time ago andi broke it. I wired off funds for the deals today, thinking I'll be perfectly ok to do so. Then I'm sitting in a parent teacher conference and I get an email from Ryan saying he can't provide the money. I about craped my pants. I talked to him and his CFO three times during the day. he now thinks he can get me 1.2, I don't know if I'm going to get enough money in Friday to cover this. I had to have scott stop buying, sell a bunch he had already bought, and now I'm scrambling. I'm 2.2 million in the hole for my commitment tomorrow. I better have a banner day of closes!

3-28

I wired out every damn dollar, I was down to maybe 50k. which would be great for Friday, except I need money to fund Lili's deal. These moron's in UT cdidn't call me all day, I called

them, they are now saying 1.5. then he wants to be on the paperwork, then he wants to talk to lili, I put her on the phone, that got ugly, he can't understand her and he wants numbers she doesn't know them, she gets pissed at me because she looks dumb, he tells me he'll call me tomorrow and let me know he wants to do, she calls me and says she's going to look for other money. The mean time, Scott is on his way to NY to find money. I had a million come in today, which won't cover half the deal for Monday. It's going to be a stressful weekend.

3-31

I had eight payoffs, funded one deal. After I don't know how many phone calls, I convinced the UT guys to just lend me the 1.8 and I'll take care of the deal. They don't like it at all. Lili is mad at them, so it will just work. Scott is now convinced he's going to just sell all the properties and owe me a shit load of money and work on paying it off. at this point it clears the books, brings in the interest and then hopefully he can produce enough money that he can pay down the debt, it could be 8 million. That's a scary fucking number. I'll now be able to fund a few more deals that are popping up. I only lost 95k this month. If he sells the properties, and I get the interest in, I'll have a good year, which will be good to put some capital on the books incase he fucks me at some point.

4-1

It was a super busy day. I funded three deals for scott and then the payoffs started to roll in. I had nine payoffs and a few payments. The biggest deal is that the UT guys finally wired me the 1.8. right at 2:30, when I had asked them at 8 am for it. I've got lili covered, I've got deals covered through next week and I've got 1.8 coming in from here to Friday. Everything should be done for Scott to finally sign, should be tomorrow. He's buying a lot right now and I hope all other properties start paying off now. I need to return some funds this month.

4-2

It was a quiet day which was nice. I funded the 2.8 mil deal, and three others for scott. I was paid off on three deals and I received a lot of payments in. because it was quiet I caught up on everything I needed to do. I took back some land that roger can't sell. I'll get it sold no matter what.

4-3

It was a quiet day, I funded a few deals for scott and he paid me off on a few. I thought we were done with the agreement, then David says it's not done and is going to have to redo sections of it. Jesus this is going to cost a fucking mint! 100k for the agreement! I'm still not convinced it will do anything for me. I sure hope I never have to use it!

4-4

I funded a bunch of deals for scott and then he only paid me off on two of them. I had a few other payoffs come in. I paid off the very last property that was in question with Dan's group, this

damn Potter property that we don't have a trustee's deed on. We are supposed to have it any day, it's been that way for months. I had a bunch of payoff which is good because I've got a ton to fund Monday morning. I hope next week I get enough payoffs to get me ahead in cash to where I'm not skimping by day by day. it's just stressful as all hell and I hate it. I have to return funds to investors next week too

4-7

The day worked out ok, I was a little nervous. I had more deals to fund then money in the bank. I had two get pushed off and a surprise payoff, but then three other payoffs didn't come in. scott bounced another check to me, but re-deposited it today, so hopefully I can use it tomorrow. I've got some guy calling me about a 500k loan I have that wants to buy the house but I don't own it. I can't get ahold of the borrower either. That really pisses me off. I had a lot of payoffs today and payments, so that always helps. It's going to be tight week.

4-8

I log in to my bank, I'm negative over a million dollars! The bank reversed all my deposits from scott from Friday and Monday. They closed my account soon after. I spent all day talking to a dozen people. The bank didn't like that I had a bounced check and then redeposited it and then I'm wiring back to the same account. I finally got them to call Scott's bank and reverse the whole thing, but it was too late and they can't reverse the holds so I couldn't pay for his three properties or fund the 2 deals I was supposed to fund today. Now they are telling me tomorrow it should be ok. It better be or I'll be blowing up the place and quit with killing them with kindness. The stress that I went through and anger and my blown reputation with my borrowers and title co's is immense. I about I'll sleep tonight.

4-9

These lying shitheads of bankers, I couldn't log in to my acct all night or in the morning. we had to call in and start all over. Then after telling me last night, oh it all has to go through night time processes to release the checks, they instead manually released them this morning. by 10 am, I was 100% back up and running. I wired out over a million and received in nearly a million. I've got 4 million coming in the next two days. I swear, I was so pissed, but more relifed just to get back and operating.

4-10

First day of normal business and I was busy! I wired out four deals, i had five payoffs, a few payments. I didn't get nearly as much in as I thought, so tomorrow could be a huge day and it could allow me to return some funds, have cash in the bank and best of all have money uncommitted.

4-11

I got in a million dollars today, most of it late. I put out 750, plus returned 250k to rob brinkman. I had a few payments. Most of the day I was trying to figure out how much was coming in and when so I could commit on some new deals next week. scott bought 900k, but he's wiring me 550k Monday. I have two big deals, one for 650k and one for 2.2 million but they both got pushed. I would love to get those in to give me some wiggle room.

4-14

Stupid busy day! I funded ten deals, either full or partial pays to get the money returned to me for scott payoffs. I had six payoffs. I've got more coming tomorrow too. I had a lot of payments too. I was barely able to keep up with everything, then the boys came home and now it's midnight and I'm still working.

4-15

I had enough payoffs in today, to finally get ahead. It's the first time in months! So much so, that I did a 600k deal for kyle. I expect to get in a lot over the next few days and I'll be in good shape. I funded four deals I had six payoff. Only had a few payments. I really would like to have a million in the bank. I should be there Friday.

4-16

Scott had trouble with his wires this morning, by 11 we had it all sorted out. I've got extra money now, so I can wire him and he can wire me back to pay off deals. I funded five, I was paid off on 9. I had no payments in today. Scott signed the agreement. Now I hope we never have to look at it again. I'll send it up to david tomorrow and then he and I start on the memorandum.

4-17

I had a productive quiet day. I funded four deals, and I had four deals payoff, 600k one that wasn't supposed to come until tomorrow. I'm now with excess cash, I can pay my tax bill and send Coralee back her money. At least start sending it back. Rick from Sundance stopped by for 30 mins. I don't like him. He's disorganized and uncommitted. He wanted my spreadsheet, however, he never asked for paperwork that he has money with me. I've never sent him any. Kirk fischer bought a property today! I doubt he's getting back in, just too good of a deal to pass.

4-18

I funded five deals today, then I only had three payoffs. I had a really quiet day because it was a holiday. I had a few payments too. I've got extra cash, which is nice to go into a week with money and no stress. Now david is saying we have to resign because the day of the docs don't match the dollars on the exhibit.

4-21

It was a really quiet day. I funded four deals, I had four payoff. I ended the day with more cash than I started, I should tomorrow too. I mailed off Coralee's first return of her investment, it will take me a long time to get rid of her, but I will hopefully in a year. I did ½ of end of month this weekend and all the renewals, so I'm glad to get that off my back.

4-22

I funded three and had four close. I was in good shape. Then Scott called and said he bought 1 million today! I can't get ahead. He's sucking up as much cash I create! The biggest problem is his loan balance keeps growing. He does have 35 properties in escrow to close the next 30 days, he's got 500k or more coming back to me a day on his wholesale. I think at the end of May it will finally start coming down. Mike Moore still thinks we are closing his 2.2 million deal any day. I have a lot closing the next few days, nearly 5 million. We'll see how it all comes in. I tried to do my bank transfers tonight, but they eliminated all of those too. I may have to start all over. It's going to take me hours!

4-23

I had a really busy day. I funded nine deals, I had seven payoff, I had a few payments. Scott bought another 700k for tomorrow and I should have enough coming in to pay for them. I started re-creating all the accounts to make the payments. It takes hours to do. I'm not even half way through it. The Thompson's received my letter and check. Gary emailed me and apologized after a bunch of back and forth, he's going to give me the release I need and I can re-list the property. I should have just fucking called him day 1. I emailed and was stone walled, that's Coralee.

4-24

I started at 6 am typing in the data in to the BofA web site. I finished about 9:30. I've got end of month all done now expect invoices I can do those this weekend. I wired off five deals, I was paid back on six deals. I think we've hit the high point of Scott's balance, he's paying me off on more than he's buying. Which is great because I've got a dozen deals I could fund for other people which I would really like to do.

4-25

I funded five deals, it was a quiet morning and then no wires came in and Scott by nearly 700k. He sent me two wires, but the ones from the escrow co's and one of his weren't coming. We were all panicked because I wouldn't have enough money to cover for Monday. Then as we were talking his 100k wire came in and to my surprise a 400k payoff I wasn't expecting until Wed arrived along with a 200k wire that wasn't supposed to come until Thursday. I'm ok now! I even had to borrow money from my personal account this morning to get all the wires out. Thank goodness my IRS check hadn't cleared yet. Next week I have over 5 million supposed to close. He won't be buying 5 million so I should be able to get money out to other people, which I passed on over 2 million worth this week!

4-28

I funded five deals early, then two more later. The smallest 30k deal was rejected, I clicked on the wrong acct, when I was typing in the acct number, pissed me off. I had six payoffs which was great. I had a lot of payments too. All the BofA direct payments to my investors were rejected, and the one to Russ. The BofA were rejected because I used the wire aba and not the ach. Russ' was rejected because bank buyout and I didn't know. I just went to the branch and transferred them all today, be done with it. russ is ok with getting his on 5/1. The whole thing ate 3 hours of my date, just pissed me off. I'm getting much more money in from scott then I'm sending him again tomorrow and I might be getting my 1.8 mil payoff too. I would love to get my head above water for aw hile. Though I fear the day which I know id coming soon, of too much cash.

4-29

I funded six deal, I just barely had enough money for it, then the payoffs started coming in. I had five payoffs for more money then I sent out. I also received confirmation that my 1.8 is coming to me tomorrow. This is fantastic, I can get out of this cash crunch and put more cash to work with different people. Scott is now returning more cash to me than he's taking each day, so hopefully I can whittle him down a few million this week. Dave said we are done with the forebarence agreement. Now I have to get scott to nominate someone if he dies to sign for him. I also had 3 more direct payments rejected, but their system was down so they couldn't tell me who or why.

4-30

What a crazy busy day! I got back 3 more rejected direct payments I fixed two for sure, and one I think, we'll see. I received in 1.8 million wire which is hopefully going to change my cash flow big time. I was able to fund about 10 deals today. I made many people happy, after stringing them along for a while. I had 10 payoffs too. Most of them scott's, the balance is starting to go down, and because he's paying off the older loans, I'm getting a ton of interest so I was actually profitable this month! First one of the year. If this continues I might be profitable for the year! I fucked statements last night and sent 23 to the wrong people. Easily fixed, just lowered my reputation. I have 2.5 million in the bank and maybe 300k to fund tomorrow. I've got lots more coming back in. which is fine, I like having cash now, I've got a return some to the Miller's and I have to Lili with a 600k deal. Plus more of scotts that come in the beter the situation is between him and me.

5-1

It was an easy day, which is good after yesterday. I had more come in then I sent out. Scott is down almost 2 million from his high, next week he could be down another 2 million. I was profitable for the month, first month profitable since November. If scott keeps selling these properties, I'll be profitable this year, just with a big note to him.

5-2

6  
It was another quiet day. I funded four deals, returned Major Miller their 200k, and then I had four payoffs and Adam paid me back 200k. I had a lot of payments too. Lili didn't pay me her money. I'm sitting on 2.5 million now. The world is different when I have cash. I could be at 4 million by the end of next week too.

5-5

I didn't do hardly any work this past weekend. Today was easy, I had 8 to fund and I had three payoffs with lots of payments. This week is going to be a huge change with Scott. He's got a lot of retail deals closing, where now he's getting money back on them, and the ones that we are closing have very little that need money, maybe one will need 150k or something. I counted up that by the end of the month, we'll have 30 properties closed from the list. We'll be under 90 properties down from 186. I can finally see the light at the end of the tunnel.

5-6

The day was going along well, seemed like it was going to be a sleeper of the day. Then my hard drive wouldn't quit running, after hours and hours of dicking with it, rebooting it. Brian discovered it was the drop box. Finally turned it off and I was able to catch up all day, prep for tomorrow and now I'm on top of stuff at 11 pm. However I'll be gone all day tomorrow with Dillon on a field trip, this is going to be lovely next few days.

5-7

6  
I had just enough money by 25k or so to wire 1 million off to Scott's acct. He paid me back 650k plus 225k he did, but Christmas is buying the deal and wants to keep it in his name but pay me interest so he can refi it. Some of the retail deals we thought were closing never did, they got pushed. I still have a lot coming back tomorrow but Scott bought another million today, he gave me payoff requests for two of them already. I answered email and phone calls all day while on this field trip. I was able to take care of everything then once home I worked until midnight and caught up.

5-8

I funded five deals for Scott, I had three payoff. It took until 1pm to catch up everything from yesterday. Now I'm on top of stuff. Scott only bought two for today. I've got 1.7 million that could come in tomorrow. A lot of the retail ones we had planned for this week, got pushed to next week. I have 15 planned to close next week. He will finally be going down in total dollars.

5-9

6  
I was pretty quiet today, I funded four deals, I had 7 payoff, lots of cash, now Lili wants another 600k Monday! That's for the warning! I might be able to do it, because 500k worth of deals got pushed until Monday. Scott didn't buy that much either. I had a few payments. A new guy from Canada is wanting to flip houses using a guy I've done a lot of business with. I semi tried to talk him out of it.



5-12

I funded seven deals, three of them were overages on loans that I would be paid back when they close, two today, one tomorrow. I hate sending money out on those, but they are lowering the amount owed to Greg, so that's the good thing. I had nine payoff tomorrow. I've got about 15 paying off in the next two days. I had a few payments too. Lili went from needing 600k today, to 1.2 million by Friday. I have nearly 4 million closing this week, so it shouldn't be hard to do.

5-13

It was an easy day, I funded five deals, and 20k for Minh. Then I had five deals payoff. We are beating down the total for Scott. Two more older loans were paid off, I'll more this week. I hope by week end he'll be under 36million. I had a few payments too. Tomorrow should be more of the same.

5-14

More of the same, six out, four in, but I'll have more tomorrow. I had a few good payments too. Roger gave me back his last land deal. Just what I want. At least I have two closing the next day or two and I have one closing in a week or so. Friday is going to be a big day for closing more retail ones for Scott, then next week we have one a day. we are slowly but surely pounding down the list.

5-15

The day went quite orderly. I sent out my wires, all the ones came in that were supposed to. Jeff and Tony came up from Tucson and we had lunch and BS'ed for a few hours. Scott called, he moved 800k from Friday to Monday, and that screwed up my day. I had a lot of leeway to have enough money for everyone. I had to pull in 500k from Tom to make sure I can cover everyone. Huge pain the ass, I should have told Lili no on this deal, but I just feel like I have to put the money to work because soon I'm going to be drowning in it.

5-16

It became a stressful day. I requested 500k in from Tom, thinking it would come in early and I could wire Lili's deal right away. She was calling me and title was emailing me it didn't come until 12:45. I wired off Lili's money, then all the wires I was expecting started to show up in 15 mins. If they would have come earlier it would have been fine. I got closings on two of the properties that Roger gave me back. A third will close in a week or two. Scott's closings all came in, we are down to 10 million of Greg's loans, so that's great, from 24 million in November! My cash is going to be tight next week. I don't have a lot of closings from other sources other than Scott and he doesn't have a lot closing. The head way is slow but steady, every day is a better day than yesterday, so I'm glad for that. I funded seven deals, then Lili's, I had nine payoff.

5-19

I had to start the week out stressful! I wired scott his money and he bought more than I thought he would. I returned Tom's money at least. Scott had to borrow money from Gregg because I couldn't cover all that he needed. I did accept 300k more in from a new investor, it's just temporary but I need it. he's a borrower that can't buy anything right now. Scott and I have to do the wire game tmorrow to get each other the money we need. Plus I need to return 250k and 150k to people. I can't talk him in to taking off a day to get me flush, so he's gong to try to slow bleed it out. I was out ½ the day with Courtney and we had a baseball game, so I'm way behind!

5-20

I got the 300k in early, I was able to make my wires to Scott though they were delayed and screwed up his morning! the one day the bank doesn't deliver my money in 15 mins! I also got a surprise payoff on one of the PGREO payoffs early, so that helped. I postponed a deal so I'm getting in better position. I had thepayoff scott told me, so we are good for a nother day.

5-21

A quiet productive day. I funded three deals, I had two payoff. I had a few payments. Did the entire months' renewals today I got all set with scott on payoffs, cash flow and docs. I'm hoarding cash, because I have to return some to investors, pay them interest and make sure I have money for scott. I keep turning down lots of good deals, it drives me nuts, but I have to keep scott rolling in deals to make money to fix our problem.

5-22

Super quiet day, I funded four, and was paid off on three. I had one payment. I talked to scott the deals that were supposed to come in tomorrow aren't so cash is going to be super tight! I just need to get a bank of cash and keep it. I can't stand this game we are playing. I know at some point I'm going to have mounds of cash. I just received another request from an investor that wants money back. I'm really going to struggle next week.

5-23

I funded scott's deals, I got a wire in that was supposed to come the other day, he got some closings he was pushing for and I ended the day with 1.1 million he only bought 700k, plus he's got 1.1 coming in Tuesday. I had a few payments made, some past due ones, so it was good to get caught up on those. I was all done by 3pm.

5-27

I got end of month done yesterday. I just have statements to do. I had all thepayoffs come in that I was planning for except one. the condo on broadway closed, one less house to deal with. The people that put in a contract on mckinley opened escrow. Then Matt texts me that the pool pump is broke. I funded all of scott's deals plus one for shawn. I have a stack to do for him tomorrow. I had a ton of payoffs and payments in today too. I have al ittle cushion, not much.

5-28

I funded 8 deals, I only had four payoff, I had three wires that didn't come in. I hope they will tomorrow. I'm down to 500k, Scott only bought 400k! I have 2.2 million closing the next two days. That way I'm hoping to have cash in the bank and get out of this pinch all the time. plus he's got money coming in on some deals soon too. I had a few payments too. I still need a bucket of cash to come in to be profitable this month. We are chipping away at the list, we made great headway this month. We have 9 in escrow for next month for the old AFG loans. I hope to knock off 15 or more in June.

5-29

I funded three deals and I had 6 pay off, so I needed the day with 1.2 million in the bank. Tomorrow I'm sending out 1.4 and I should get back in 1.6. I had a few payments. I found out the last house Roger gave me, the people aren't paying the rent so I can sell that one now. We have McKinley under contract, so now we just have to sell the land. I fear that's going to take a while.

5-30

It was a busy as hell day. I funded eight deals I had nine payoff and was able to return 250k to UT boys. I had a few payments in too. I'll end the month 42k. Two months in a row making money, I'm hoping this next month, I'll be over 100k. I have a lot more closing next week, these old Scott loans have so much interest in them, that by closing more of them, that will make the difference. If we can just get more of them sold. He's got over 50 on MLS now, so that's good. June should be a good month to get more of them sold. As long as the damn market doesn't roll over on us. if we have a summer slow down like last year, it will bring our progress to a halt.

6-2

I funded three deals and gave Nesta back 150k, then he paid me down 100k on a property he bought. I had five payoffs come in, two unexpected. I actually have 2 million in the bank tonight. I turned down some deals, I want to get more in and then I have to return some money and then I can fund some deals for people too. I just don't ever want to get low on funds again. Scott bought more than he will pay off tomorrow, but that should reverse the next day. I had a few payments in. I am getting another property back, and it's a piece of shit. My fault, I'm going to try to wholesale it out too. It's from Edgar, long time borrower and he just doesn't want to put the money in to it, that's the issue.

6-3

I funded four deals, I had four deals payoff, but they were smaller, Scott bought 1.1 million for tomorrow. I'm glad I keep turning people down. I've got a lot maybe coming in tomorrow. I hate when he does this, the only good thing is that the next few days are thin. I should be able to build back up my cash. Then at 7:30 my email address was hacked, it's 11pm I've been on hold since 7:30 trying to get it fixed with yahoo. Patt Miller's email was hacked, people were asking

me send money to Canada and California. I called her, she didn't know it. then at 7:30 my email was hacked. Now I'm dealing with a fucking nightmare.

6-4

I called yahoo at 4 am, one ring and they answered, fixed it in 10 mins. I spent an hour fixing the email but I didn't lose anything that I saw. I funded 8 deals, I had five payoff, I'm down to 1.2 million. Tomorrow should be the reverse of it. I officially took back a property today, the guy that set up the deal John, is now trying to get another guy to buy it from me. Hopefully he can do it. it will go a long ways in sticking me with it. we got the new buyer to open up escrow on McKinley, that hopefully will go smoothly. I had a few payments, but not enough!

6-5

A good steady day. I funded five deals, I had eight payoffs. I'm up to 1.8 million. Scott only bought 500k for tomorrow we have 800k coming back. I can return some funds to investors that are requesting it plus I'm building up to back fund a few deals too. I had some payments too. I can't sell this damn duplex. Hopefully tomorrow I can. I've got two people, worst case I can dump it to one of two current borrowers.

6-6

I funded four deals, I had five come in, all the ones I was planning for. Scott only bought 500k for Monday, I've got about 1.6 million closing. I was able to send back 250k to UT. I'll be able to return 300k to Marion's brother and 250k to UT next week. I have a stack of deals to fund, which I should be able to do no problem. I had a lot of payments too. Lili called tonight and saying she wants 3.6 million for a deal at the end of month, I told her only if here two other deals closed. She said they would, I think I'll be ok to fund them.

6-9

It was a really quiet day. I had funded four deals, I had three come back, the big 1.1 million didn't come in and either did one of the AFG deals that was supposed to pay off. I'm getting lots of requests, but I'm not willing to commit because I want the cash in the bank. I had only one payment but I didn't get the mail today. Tomorrow should be better for payoffs.

6-10

I funded five deals, and returned cash to Marion's estate. I was supposed to have a shit load of payoffs, most were postponed. I only received in five. Adam's 1.1 million is now supposed to come tomorrow. I had two lousy payments. I started looking up old wholesale deals from Scott, I couldn't find any that were recorded, or very few. I went to the auction today to see if I could see Louie buy some. No one knows me. John Ray walks up and blows it! he's introducing me to everyone. I see Louie buy one, then that's not on the list. I question Scott about it. he says it was paid for by a customer, he only bought two others, and they were after I left. Then the thing with the deeds he explains that they hold them until the guy they sell it to sells it so that if there are

HOA's they don't get hit with all the fees. We go over all the properties. He's almost 40 million now. We've got 4.3 closing this week, he's not buying that much, we've got 1.7 closing on his house next week, so by the end of the month it should be much lower. It had better be.

6-11

I funded two Scott deals, then I got my 1.1 million wire in from Adam and then I got my wires in from Scott. A total of \$2.25 million came in today. I funded 300k for Shawn and 500k for Chris Hughes. I still have enough money to fund Scott's deals tomorrow and I should be getting more in from him than I send out. I can continue to fund some other people as well. I only had two payments.

6-12

It was a quiet day on the phones, but busy in the bank account. I had two deals to fund and I had four deals to close. I had a few payments too. I'm raising cash and Scott's balance is going down. He bought 1.1 for tomorrow but he's paying me off on 1.5 too. I have a few other things that should close too. I want to fund a 600k deal but I have to make sure that all the money comes in tomorrow.

6-13

I funded six deals, turned back 250k to UT, and then I had eight deals payoff. I was able then to fund a 600k deal for Kyle. I have 1.5 mil in the bank and I'll be up another 600k on Monday. It was a quiet day other than just the volume of deals in and out.

6-16

A really quiet day. I funded five deals, had 8 payoff, Scott's balance is nearly 38 million. It should be below that tomorrow. He got his final approval for his home loan which is 1.7 so I'll have that paid off in a week. I've nearly 2 million in cash, so all things are going well. I only had a few payments made though. I can't get rid of that damn duplex though. I may have to fix it up.

6-17

It was a much busier day with requests and paperwork etc. I funded four, I had three payoff but for much more money. Scott is down to 38.1 million. He got docs so he'll close on his personal house on Monday, so that will knock it down another 1.5 million. I had a few payments. Better. I've got lots of cash, 2.2 million. I'm going to return some cash to UT and I've got cash to do other people's loans. Which now I've got a few stacking up on my desk.

6-18

I had a busy day. I funded six deals for Scott and one for Maxson, on short notice. I returned 250k to UT. I'm going to try to pay them back faster, I probably will pay a good part of it off by Friday or Monday if both Lili's and Scott's loans pay off. I had a few payments. I got all the

renewals done. I need to start the quarterly newsletter, but I'm not motivated to do so I need to do the photos too.

6-19

I had an easy day I funded seven deals, I had five payoff, I got in more than I sent out on Scott's, he's down to 38.1 mil. It will go up tomorrow but way down on Monday. I had a few payments made too. I have that damn duplex being cleaned up and I'll try to sell the damn thing.

6-20

I funded five deals. I had seven deals payoff. I've got quite a bit of cash. I had a few payments. Scott didn't buy much today and we have 2.2 million coming back on Monday. My QB and spreadsheet are off 80k, I can't find it. and it's driving me nuts.

6-23

A really quiet day. I funded three deals, early for Scott and then 3 more for other people. I only got in two payoffs. Scott's house didn't pay off, will come in tomorrow. I've got a few others of his tomorrow too. He bought a million today, so that will suck up some money, but I should get back 2.5 tomorrow from him.

6-24

I funded ten deals today. I had three payoff but it was for a million more than I started with. Scott's house refinanced, so I got back 1.78 million. Plus all my interest which makes me profitable for the month. But I'm still 200k in the hole for the year. I have a million to fund tomorrow, 450k goes out for interest, I'm going to send 500k back to UT. Lili has two deals that might close which will bring in over 3.5 million. It's going to be a busy day tomorrow.

6-25

Neither of Lili's deals closed, she is worried about one of them, she needs 3.6 million by Monday I don't have it. one of the deals should close tomorrow now. The other she's not confident about. I returned another 500k to UT, I'm good with them for two weeks. All the interest went out. All I have to do are statements now. I funded five deals, I had seven deals payoff. One lousy payment came in. tomorrow is a million in and million out with Scott. I've got others that are supposed to close. Friday should be a circus and I've got my MOM's meeting.

6-26

I funded five deals for Scott, I did a small deal for CARJAR, and Adam needed 50k. then the I had four payoffs early, then one of Lili's apartment paid off, 2 million came in. she needs 3.6 tomorrow. I now have it and will easily have it with what is going to come in tomorrow. However, that will take me below 500k in cash by end of day tomorrow and I don't want to go that low again. I'm going to lend her 600k on her condo and that's good for me. I had a few

payoffs. I'm still waiting on some more to come in. I'll be profitable this month, but I have a long ways to go before I'm profitable for the year and let alone where I should be right now.

6-27

I had a super busy day as forecasted. I funded a bunch of deals for scott, chris had one, Lili's condo for some of the money that she wanted for the 3.6 million. Darn good thing I didn't say anything to her. At the end of the day, I would have had enough to cover it. but it would have left me short for Monday morning. I thought I was going to have another 800k close today and didn't. I still had 1.3 million. I had a ton of payments too. I had our Mom's meeting, we only had 12 people show up. Jeff Phalen came with his wife, he was asking if this is representative of what is happeninig, it kind of is, but we had several people that just didn't come. I'll need to increase the size of the group I'm profitable for the month, 210k right now. Even with john's 74k loss on his fucking house. I hope some day the guy pays me back I'm not counting on it anytime soon. I know he owe's a lot of people a lot of money right now

6-30

It was a super busy day. I did the statements and finished end of month Sunday. I funded eight deals, I had seven deals payoff, a bunch of payments. I picked up a new guy that does a ton of deals, we'll see if he sticks with me, or just because he's short of some cash today. A referral from John Ray. I'm profitable for the year by 6k! we still have a long ways to go, but two more AFG's were knocked off today We have more going this week too. Just keep plugging along. I got the 34<sup>th</sup> street house under contract again. solid offer, I'll have to do some work, but it shouldn't be bad.

7-1

The typical quiet after the storm. I funded four deals, three for scott and one for this new guy. I had six payhoffs. Scott's balance is alittle up but not much. It will be up 500k for the week if we stay on this pattern. I'm hoping to be below 34 million by month end. I had a few payments. I'm losing my cool on a few of these assholes that are late on their payments.

7-2

It was a super quiet day. I wired scott some money on three deals, he paid me off on five, but it was for less money I went to the bank and spent 45 mins waiting to get notaries done. I sent a foreclosure notice off to Margie, she won't pay me, the deal she's got won't close, fuck her I had a contract cancelled on the 34<sup>th</sup> street house. Back on the freaking market. I put the triplex up for sale for 50k hopefully I'll generate some activity and get the most for it I can. The biggest deal was scott sent me \$50k for interest on the work out loan. We are making progress just to damn slow, but I'm sure quicker than David expected us to do. He got some more houses under contract that are AFG's. we should have 10 more closed this month.

7-3

It was a super quiet day. I funded five deals, I had four payoff, one payment and maybe 4 phone calls all day. I let Cormack know I'm not extending his loan. Never heard anything from him. Scott ended up buying a lot today for Monday, and Monday will be a huge day, but we have 6.6 planned to close next week. his balance should go down.

7-7

I funded five of Scott's deals and I had just three payoff. I'm back up at nearly 38 million with him again. I had a lot of payments which was great. he bought 1.2 million today and he's got 1.2 million paying off tomorrow. I hope this week, it gets pounded down. I had a lot of phone calls in the afternoon, but I was able to take care of everything except one title co wanted me to sign my payoff, I have no way of faxing it so iggy will take care of it for me tomorrow

7-8

I funded 9 deals for Scott one for Kirk and 1 for Cyler. Then I had 9 payoff. I ended the day with only 1.6 million. Scott bought 1.6 million today so he sent off some of the deals to other lenders. I had a few payments not many. Brian hasn't sent me any checks yet. I got the Hazelwood sold for 75k, then the guy didn't respond! Scott is trying to bring down his balance, we have 30 properties closing this month retail, 9 AFG so we will make another leap forward in cutting down the numbers.

7-9

I funded seven deals for Scott, then I had five payoff from him. I had a ton of payments come in from Shawn, Chris and others. Two I can't figure out yet. His total went down today, it will tomorrow and a lot on Friday. I talked to some fool that has 30k, been flipping properties for 20 years in OR and is now in AZ wants to get rolling, sorry I'm not for you.

7-10

I funded four for Scott, one for Larry, and then I had seven payoff, but for about the same money. Scott also sent me 50k more for interest on the five million work out. It's good to get some interest. We've got to pay off more AFG's so that frees up more cash for me. I had a few payments. Scott bought 1.2 again today. I had to turn down a deal and I decided to do one and I talked Kirk out of taking his 150k. I have a few payoffs besides his coming tomorrow we'll see if it happens.

7-11

I funded 8 deals, returned 250k to UT. I had five deals payoff and Scott gave me another 50k. I only had a few payments. I wasn't that busy on the phone calls but they just wouldn't stop. I was still getting them at 4:30. I have a lot to fund next week, other than Scott's deals, so I need some to start closing other than Scott's deals. Iggy and I went to meet everyone for the Densco dinner. It was nice restaurant, expensive, but good food, just small portions, I asked for seconds. Then I finished Corey's dinner. They wanted me to give them a speech or at least Dale did, but I told



them to read my newsletter! Then dale asked about the bank. I talked about that for 30 mins. They all thanked me etc. it was nice to hear it. just adds pressure to what I'm doing every day.

7-14

It was a quiet day thankfully I worked 15 hours or so trying to catch up I funded three, and I had I 8 payoff, gave me more cash, enough to fund two deals I need to to morrow plus some extra for Scott's. I've got a long way to go before I'm caught up, but I've made good headway.

7-15

I was thinking I had 300k of leeway, I had a mistake in my spreadsheet, which caused a 365k swing the other direction! I wired out all my money this morning I had 7k left! Scott didn't get all his payoffs to me, one short, but I brought in 1.2 back in and he only bought 1.08 for tomorrow. I'm getting a few other deals I'm trying to fund but I can't because I have no cash. It's just endless cash crunch. I have to send out 250k Friday too. I'm all caught up now at least.

7-16

I funded seven deals, I had six payoff, for more money, I ended the day up 1.3 million. Scott quit bidding so only 800k is going out tomorrow Need to keep the cash flow going, but I've got other demand that I can't fulfill because I have to keep money for scott. I couldn't sleep last night, I was looking at the properties not sold We have 20 or so from Nov to May not sold and only 6 since June. 90% of them are listed, but it's slow summer time. if we can scrape through the next 45 days, hopefully it will pick up and he'll move them. I had a few payments too

7-17

I got a text from UT saying they don't want anymore money back, yea! I wired off the money for scott and he had some wires for me, as well as from title, I'm down 100k for the day. I've got one or two more payoffs from outside sources tomorrow. Kevin's deal closes Tuesday, Lili is saying 2.8 million is closing next week. I got all the renewals done today too.

7-18

I funded five deals, took me down to my last 7k then I had 1.3 million payoff. He only bought 350k for Monday. Another AFG is gone, we have 3 next week closing and several retail ones, so still marching in the the right direction. I had a few payments, not as many as I would like. I am foreclosing on a loan, 445k one. I should have done it last month. The 34<sup>th</sup> street people opened escrow. I hope we can close this one quickly. I've got one of my guys buying this piece of shit hazelwood. I hope he doen'st back out. I'm hoping for a big weekend of sales from scott, last two weeks have sucked.

7-19

I funded three, I had three payoff, I had a few payments. I gave Shawn 20k more. I got contract on Hazelwood after the 1<sup>st</sup> guy backed out, I'm down to 61k, now I'll lose 30k. I got the 34<sup>th</sup> street water heater fixed, utilities turned on next three days. I can't wait for the inspection!

7-22

I funded four for Scott, one AFG then three more smaller ones for different folks. I had six payoffs, so that got my cash back up. I've got enough to cover my desk and scott's deals for tomorrow. I really hope Lili's deal comes in so that I can eliminate the concern. I only had a few payments too.

7-23

I funded six deals, I only had three payoff. I've got 5 to fund tomorrow. I should have quite a bit paying off tomorrow. Scott's total is starting to rise, but he's paying me some interest tomorrow too. I had just three payments. I got the deal solidified on Hazelwood, I'll be losing 32k on that piece of shit. I'm done doing deals for John and his friends.

7-24

It was a crazy busy day I funded five deals for scott, three for Shawn, then I had 12 pay off, scott sent me 30k and I had some payments. I've got a pretty busy day tomorrow too. Chris paid me off on 700k should do another 500k or so tomorrow I can return some funds to kirk and I can easily pay my interest plus do two more deals I was planning to do later. Then the inspector went to the house on 34<sup>th</sup> street, turned on A/c and started a fire. Destroyed 50% of the house. I've got a guy going there to start the process in cleaning up and hopefully I can keep the buyer!

7-25

It was another super busy day, with calls on the house fire, payoffs coming in, deals to fund. I returned 150k to kirk. I funded seven deals, I had six payoffs but for more money. I had no payments which was odd. I'm profitable again this month, but I'm so far behind where I should be. I mentioned it to scott and he's convinced if he buys a million a day and sells a million a day, plus we have these older loans continue to pay off at about 1 a day, we'll be in great shape by 9/30. I sure hope so. My time is running out on updating my private placement memorandum and notifying my investors.

7-28

What a fucked up day. I logged in to make sure all the payments went out. They hadn't left. I took the boys to school and called. I spent the next 5 ½ hours trying to get the payments out. They told me to re-enter them, but I couldn't delete the first ones. Then both went out, then they are supposed to credit me back all the ones and stop the dups. I doubt it will go right. I had a ton of payoffs today. I had three high risk ones payoff. Two of Edgar's and Sammy's that he refi'ed. I talked to the insurance adjuster, he's a long time personal friend of Brian's. I think I'll be ok

with that nightmare. I had a few payments in. I've got a ton of closings this week since it's end of month. I could have 4 million in my acct by thursday.

7-29

I sent out the wire for Scott and called BofA, I spent another 3 hours getting a gal to create the duplicate refunds to my account. You can't do more than 5 on one request. We did them all. Then at 3pm the lady I talked to yesterday finally called me back and said she and another gal were doing them. I don't know if now they were reject all of them! I hope not! I had a few payoffs today, only one old loan. The next few days I'll have several closing out. Lili says her 2.8 million is paying off tomorrow too. I am hearing from a lot of people that other lenders are lowering their interest rates and fees etc. again I've more challenges to keep this thing going. I'll be profitable for the month and now I'm profitable for the year. The payoff for Hazelwood came in today, 39k loss on that piece of shit. I talked to Eric about that one and MCM's condo he's not paid on. I'll probably have to foreclose on that one too. I'm being aggressive on these guys because delaying it just makes it worse.

7-30

Miracles do happen, all the money came back to my account. Now we'll see if they let the others go through and all my investors get their money tomorrow. I had a 2.8 million payoff from Lili. That was that super stressful deal we did back in April with the guys from UT giving me money. I owed them 750k more, so I just sent it back to day and said there you have it. they wanted me to keep it another month. But I have 4 million in my bank right now. Scott had a 1.3 million in payoffs and borrowed 1 million. Tomorrow he's borrowed 1.3 and payoffs should be around 1.6. I have no one calling me wanting money. I'm going to start sending money back to people if the balance gets too high.

7-31

The payments hit my investors accounts. I got back all my money. I funded seven deals then the payoffs started to roll in. I had six come in but for more money. I'm returning money to Brian and Tom tomorrow. UT is completely paid off. my only problem is that the % of dollars to Scott is rising. We are down to 68 double deed properties, down from 183 in November! So we have made huge head way. 9 more of Chris's property are out there, 1 is in escrow. Those only have one lien on them, they are just high LTV's. Only about 3 or 4 AFG's that are empty are not in escrow. Scott says he's got another 9 that are coming empty this month. Hopefully we can get those in escrow in the next 30 days. By the end of September, we could be below 50 properties. Scott paid 30k more to me, so now he's paying principle down. This is huge also. It's all going in the right direction, just not sure if it's going fast enough. As long as David doesn't bug me I feel like we are doing the right thing. I made 300k this month, which means I'm 300k profitable for the year. I'm just nervous something is going to stop what we are making great progress on.

8-1

I funded seven deals, I returned 800k to investors. I'm barely above 60 million now. I think I peaked at one point at 65 million. I had seven payoffs. Scott only bought 600k today. We've got a big month coming up in August. I just hope I can keep money invested, if not, I'll start returning it. I had one investor not get his money. I'm not sure how this slipped through. I sent it again, it was Stan, he was fine with it. This darn burned out house, now they are giving me grief about the asbestos. It might be two more weeks before we start fixing the damn place.

8-4

I funded five deals for Scott, one for Cyler and I had four payoffs. About a wash in cash. I had a few payments. It was a quiet day. I had a guy I did a loan for back in 2002 call me. He has lost 1/2 dozen homes since then now he's ready to go!

8-5

I funded four deals for Scott had 6 or so payoff. I had a few payments. I ran over to a Starbucks to meet an old dead beat Jason Andrade. I lost 100k lending to him. Now he wants to become a hard money lender! What an idiot. I guess since he's done it he knows how it all works! I've got some other deals coming up now, so I'm getting more cash out.

8-6

I funded Scott's deals and two others. I had one AFG pay off today. We talked about me paying off more of the AFG's loans so that we lessen the number of loans in the second position. Even if I have in a bad LTV it's better to remove those. We can hack down the list and keep this thing going in the right direction, plus I can make some interest because he will be paying me not Greg. I will think more about it, but right now I think it's the right thing to do. I had one other payoff come in besides Scott's. I only had one payment. We are going to have a busy next two days.

8-7

I sent the wires out, but for some reasons they didn't arrive until after 10. Today I set up all the wires tonight, see when they go out tomorrow. I had more payoffs than I did deals going out. I talked to Scott about my idea of how to handle this. We are going to pay off AFG deals as the balance goes down so that I stay about the same amount of money and we can knock them off. We'll do seven next week, plus we have 3 closing, so that will be ten less. Then we'll just keep going week by week, perhaps we'll have all of AFG done by year end. That's probably optimistic but it's possible.

8-8

Didn't have as many closes as I had planned, which is fine, I nearly have 4 million in the bank. I funded four for Scott and one for Flip. I ended up giving Andrew money on Hazelwood. I had still had ten payoffs. Scott's balance went down, but the AFG's didn't. We have 7 of those going next week. Greg is giving him grief about paying so many loans off because he's got too much cash.

All the hard money lenders do. I like sticking it to him. I had a few payments not many. I'm low on interest income this month. I should make a big catch up next week.

8-11

I funded four scott deals, one AFG overage and then I paid Gregg off on the smallest loan. He was pissed, called Scott got all upset about strengthening my position and wanting to hurt me etc. we'll just keep paying him off. we are down to 67 loans. We'll be near 50 in a month. I had a eight payoffs. I've got over 4 million in cash now. Mike and Rob stopped by for a state of the nation talk. I always enjoy talking to them. They are building up cash now too. I had a few payments. I just need to keep getting Gregg paid off and then hopefully Scott can keep making payments.

8-12

I funded four scott deals then the payoffs started rolling in. I had 8 payoffs from Shawn, I had five from Scott and I had two others. I had a few payments too. I'm now up to 4.5 million. I paid off another AFG loan today. Just keep chipping away

8-13

I funded four for Scott and paid off another 2<sup>nd</sup> on AFG's. if I hadn't done that Scott's balance would be at 37.5 that's ok, it's more important to get rid of these seconds. I had a lot of payoff today and lot of payments. Lili wants a payoff for her 600k condo, I'll be over 5 million in my acct by Friday.

8-14

It was a super quiet day. I funded four for Scott gave Minh some money and then paid off another AFG deal. I had four payoffs today. What was going to be a super busy Friday is going to be a sleeper tomorrow, everything got pushed. I had a lot of payments though. I'm now over 5.5 million

8-15

I funded five deals for scott, paid off another overage on one of the AFG deals. We should have like 10 of these payoff by month end. I had a lot of payoffs today. A few didn't close which was fine, since I have so much cash. I had few payments come in too. It was a real quiet day.

8-18

I funded four deals for scott, I had four deals pay off, plus he paid me 30k interest, then chris hugues had two payoff. I'm nearly to 6 million in cash right now. I had a few payments too. Wade calls me, there is a 250k lien on the property that I took back from Roger. Great that's what I need on top of everything else.

8-19

I funded four deals, I had to wire in 200k for a AFG overage. I had five payoff. With the money that I'm sending to payoff the 2<sup>nd</sup>s on the older AFG's, we are still keeping the balance good. I have a lot coming in tomorrow so we'll pay off another one. we are now at 59, down from 183. By the end of September we'll be in the 40's. Wade called me back there is no lien on the land, so we can sell it no problem.

8-20

I funded five deals , plus a to AFG deal to get the money back on. Theyheld the wire for a few hours, finally released it so now I won't get it back until tomorrow. I had three payments for over 10k. I had seven payoffs. Tomorrow I could have over 2.5 million in payoffs, maybe three million. Lili's last apartment deal is closing tomorrow, it's 1.75. I got an offer on the land , I'll lose 30k if they take it.

8-21

I funded four deals and we had two more AFG's payoff. We should have as many as three more tomorrow. I'm not over 6 million. Lili's deal got put off a day. I had a few payments. It was a quiet day. I picked up three more loans from other borrowers, that's a good sign.

8-22

I funded five deals for Scott, one deal for another, then paid off an AFG Gregg is taking his time getting the releases but it's not going to slow down the payoffs. I'll just keep them coming. I had a lot of payoffs. Lili's deal paid off, all of her big apartment deals are now paid off. I have 7.7 millin cash. I had a few payments too. I talked to her, she's looking for some deals right now. I hope she gets some to take up some cash other wise I'm going to start returning some money

8-25

I funded five deals, I had six pay off. I've got one out side of scott's to fund tomorrow He had a slow weekend. We are getting our total properties in escrow down quite a bit. Need to get more sold soon. I got end of month done over the weekend, so at least that's ready to hit my acct tomorrow and it better go out this month!

8-26

I funded one deal for Maribel, five for scott and paid off aonther AFG. I had six payoff, all scott's. I had a few payments. Not all the Easy deals closed today, we have a lot of retail and AFG's closing this week. all the money went out of my acct today for payments. I had lunch with Glen, he's thinking of quit working and living off me. Just another added pressure to make this whole thing work out.

8-27

I had just three to fund for Scott. I had a lot of payoffs though. With all the deals that I'm paying off on AFG, we are maintaining the balance at about 38 million. I'm going to pay another one off tomorrow. I had to talk to IRS today about a borrower, he was fishing for crap, I played dumb. I had a few payments. Scott made payment of 25k. we will have a busy next two days

8-28

I funded six deals for scott, paid off an AFG, Chris Hughes had a deal for me. I had 9 payoffs. One for 650k on two houses from Gary. I wasn't expecting it. he moved in to one, so technically it's his primary so I told him he needed to pay me off. he then paid me off on both loans. I'm not sitting with 8 million in cash. I had a few payments. I decided to pay another one off on AFG list tomorrow too. I'll have a lot closing tomorrow.

8-29

Super busy day. I funded seven deals. Brian my neighbor sold his son's house to Scott, I arranged the whole thing, money, docs etc. got it all done in a matter of mins. Scott had a few payoff and I had a one off her. I had some payments made too. I had a profitable month again. the weekend is going to be really slow. It's a holiday. We've had so many closings, our total number of properties in escrow has fallen from 30 plus to just above 20. Hopefully in September it will pick up and we can get more paid off. I'm holding at 7.7 million right now. I'll go another month, then I'm going to start returning funds. I talked to lili she's back in the country, telling me not to give back the money. I'll give her some time, then I'm going to have too.

9-2

I funded six deals for scott, I had to cover an overage on AFG deal, but it closed. Plus another retail closed. Two more old ones off the books. I had five others that closed too. I had a few payments. Chris bought one for tomorrow. I had a few people inquire about money too. Scott bought nearly 2 million today. We've got a lot closing tomorrow, mostly wholesale. We are down to 50 loans with AFG. By the end of the month I hope to be in the 30's.

9-3

I funded 7 deals for scott and one for Flip. I had seven payoffs too. We can't get Gregg to give us releases. He's slowing down our plan. I have a new borrower, I didn't get rave reviews from everyone on him, so I'm being careful. I had a few payments made today which is good.

9-4

I funded seven deals for Scott and three others, I've got another one to do tomorrow and one Monday. I'm finally getting some money out with others than just scott. I had to return 150k to Kirk too, didn't hurt my feelings! I had a new borrower, came in and talked up a storm, proof is in the pudding. I had a few payoffs, best scott sent me 100k to pay down the line.

9-5

I funded five deals for Scott and one deal for a regular borrower and one overage. I got paid off on seven deals, Scott's balance continues to go down even with me funding overages and paying off AFG's. We need to get some more releases, promised three today, only got one. Next week we are going to hopefully payoff another 5 loans. I had a few payments too

9-8

I was slow to start the day because of the massive rain storm we had. I funded four for Scott one for Blue Capital, then another and then one for Bennett and then one for a new guy. Which he had to come to my office, I had to get a check, sign docs, then he was too late to the trustee's office. The guys seem to be a bit of a fuck up, we'll see if I made a mistake working with him. I had a few payments. I've only got three deals to do tomorrow. I'm beating my cash down a bit now

9-9

I had prepped everything from last night, so I could be gone all morning. I got back at 11:30 and worked like mad catching up. Scott only bought 3, plus I had an overage, and then Christmas bought two. I had five payoffs and a few payments. This damn Gary O'Neill guy is a nightmare. He didn't show up last night to pay the trustee, then was supposed to be there at 8, never showed. I went at 9 to call the check and he finally called me at 9:30 saying he dropped it off. He tells me one thing and does another three times on the phone. Doesn't get his insurance. I called his agent she said he would get back to her, I called him and he said no I told her to do it, he's lying again. I got them on the phone and made him pay for it. I know I'll be foreclosing on him. I had a feeling when I first spoke to him. Trust your gut stupid!

9-10

I funded five for Scott and gave Lili 650k. I hope she needs the money permanently right now it's for 3 days. I had six payoffs. I had a few payments too. Scott thinks that Gregg's owes him 500k, if he's right, that's a few more deals where we can rid him on the second. I got 1/2 my months renewals done today too.

9-11

I funded three deals, paid off another AFG deal. Then Scott called and found an accounting error with AFG and Gregg owes him about 650k! He called Gregg, after a few phone calls, Gregg admitted Scott was right. That's going to allow us to clear out a few more loans. I had 2 more payoffs other than Scott's four deals. He paid me 50k of interest and principle on his work out loan too.

9-12

I had prepped everything last night to be gone today. When I got back, I had eight payoffs and 20k payment from Easy. I funded three and one overage. I had a one payment. Monday should



be intereting with scott and Gregg. We should knock off a few more loans. We are down to 47 now. The work out balance is up to 7 million. But he's making regular payments to me. We knock off some more loans next week, we'll be knocking down the interest substantially

9-15

I funded five for Scott and one for Christmas. I had four payoff. I had a lot of payments over the weekend and today. Scott spent 6 hours with Gregg. He finally agreed to giving us a release for 635k and I could wire him 550 plus k , so we drop the balance by 1 2 million tomorrow of 2nds, and 9 loans. We have another 5 that should close this month. We'll be under 30 loans by month end. Scott was back and forth several times with me checking properties and amounts. Gregg was trying to give him releases for properties that were already paid off my only problem is that scott kept saying hey I came to you a year and half ago, when it was just in Novemeber. I think he knew aobut this longer than he's telling me. I just know that we are continuing to get it closer to being resolved.

9-16

I was super busy today. I wired Scott 2 million plus for his deals and the AFG's. they got us only 4 releases, but at least some came in. 6 more releases to go. We'll be in the 30's when this is done hopefully this week. I had some payments and a few payoffs. Scott bought a few big ones for tomorrow. Getting more of these loans done with AFG makes me feel so much better Scott found another error of 60k, so I'm going to send over another 40k and pay off another one!

9-17

I funded a few for Scott one for Roger, and then later one for Mike Moore. First time in a long time for mike. I had a lot of payoffs today. All but one from Scott. I had a few payments too I didn't get any releases from AFG yet, still have an hour.

9-18

It was a super quiet day, I spent ½ of it at the school. I funded three deals for scott, Kirk wanted 200k back, little by little lowering my total. We got in 4 more releases today. Two more to go and then we can payoff another one since scott over paid 60k to them. We are down to 40 loans, three more will be done tmrorrow, 37, down from 50 a month ago. We only have 4 in escrow, need to get more. I had five payoffs and only a few payments.

9-19

I funded some scott deals and I had a few of his payoff, two of which were the old ones. I had one deal from Henry. I've got just a ton of cash, over 6 million. i had a real quiet day. this deal with Gary O'Neil is going to be a nightmare. He's got it vested in his defaulted LLC. I talked to him, he's going to take care of it, how many times do I need to call him to get it done is another thing.

9-22

I funded five deals for Scott, three paid off, and one from Shawn's. I had a few payments. I did get Gary to come by and sign new docs for his property with the change in vesting he did on me. I really think this guy is shifty. I funded one deal for Christmas and one for Bennett. I have another one to do for Barry tomorrow. We got one more release from AFG, one more to go, then start working on the 60k extra he has.

9-23

I funded five deals for scott and one overage for AFG. I had seven payoffs. We got the releases we wanted, so now we are going to send over and another 30k and get another release for the 60k overage that scott sent over because he thought the loan was 360k and it was only 300k. that will bring us down to just 35 loans, with 4 in escrow. I'm going to pay off another 5 next week. we should be in the 20's by the end of the month. I had a few payments too. I was able to fund a deal for Chris too.

9-24

I funded 8 deals, some other than just scott's. I had only two payoffs which was fine. I've got some more deals to fund tomorrow. The number of properties that scott has under contract is falling fast, hopefully things pick up. We have another rone to pay off tomorrow and we are down to 36 AFG's. now we just need to sell that damn homes. I had a few payments in too. I met with an insurance gal. I like her, but not sure I can send a lot of business her way. I talked to Brian, I might have my first insurance check on Friday with quotes from him.

9-25

All the payments went out smoothly. I funded four deals, and one overage for AFG. They are taking the next two days off, so we won't get a release until next week. I had six payoffs and quite a few payments. I have a few deals to fund tomorrow. We have more AFG deals closing between now nad end of month, but we only have 3 total in escrow. We need more. He's lowered prices and hope to see some activity this weekend.

9-26

I funded six deals, mostly scott's. Kirk wanted 250k back from me. He's dieing in some penny stocks. I had a lot of payoffs, nine payoffs. Not all scott's. scott did send me another 30k to pay down the line. We got rid of another AFG loan too. I only had one payment and no sure who it is.

9-29

I funded six loans, I had seven payoff, plus scott sent me 25k. I had a few other paymments. I've got a few deals to fund this week, see if they come through. I had a lot of payoffs today. I only

had one payment rejected, I just went to the branch and did it instead. I'll do the statements tonight and end of month will be complete.

9-30

All the payments hit and statements went out. I funded four for Scott to for Christmas and I had four payoff. I finished the month about 250k positive. It won't be as good the next few months, scott hardly has anything closing which is where I get big hits of interest.

10-1

The quiet after the storm. I funded four deals and I had five payoff. I had a lot of payments. John ray keeps calling saying he's got a guy to buy the property that his partner has never paid me interest for. I got a call on the tempe land. The west side land is going to close this week. my tenants from hell have finally left the house in mesa. We'll get that one cleaned up now and hopefully sold quickly.

10-2

I was really busy all day. I tried to do everything for tomorrow too. I funded four deals, then 3 more later in the day, one overage. I had eight payoffs. I had a few payments too. Everything is ready to go for tomorrow. Now I'll prep for being gone plus do some renewals.

10-3

I had stayed up late at night and got so much done, I hardly had to do anything in the morning. I had a few calls during the day, I had the planned payoffs from scott and the land closed, so I got rid of that one for 50k loss or more. I had a lot of payments too.

10-6

It was a slow day. I was able to take care of everything while I was trying to keep the boys entertained and seeing people. I had four to fund, I had four payoff, not sure who one of them is. I didn't have any payments. Tomorrow will be a busier day.

10-7

I was able to get everything done during the morning. I funded a few deals for scott. Then cyler needed one. I was able to do everything I needed to do for everyone, but I'm way behind on closing loans and returning some emails. I stayed up until midnight and catching up.

10-8

I was in my office for 12 hours today, inbetween kid interruption. I nearly have all caught up, by noon tomorrow I will be caught up completely. I had six to fund and I had nine payoff. I had a few payments too. Still fighting with the insurance co to release the funds to me. Scott got a few

more under contract so that's good. I hope to get more diversity in borrowers at some point. Scott still has 80% of my money.

10-9

I funded four deals, I had three payoff, a few payments. I was able to catch up on all the stuff I had been behind since we got back. I've got two more deals to fund later. I need more.

10-10

I funded five deals, I had six deals payoff, plus Scott paid me 50k. I had a few payments too. I have a new deal to do next week. Scott got a few more properties under contract, his PV house is listed, he's getting lots of calls, hopefully we can get some more properties sold.

10-14

Even though it was the first day back from a holiday it wasn't too bad. I funded six deals, I had six deals payoff. I had a lot of payments deposited. I've got a lot of deals to fund tomorrow. Brian stopped by and picked up a notarized doc for the fire insurance. He says he'll have the check tomorrow. This isn't going to be as good as I hoped for. But at least we are at this point. I can get the ball rolling.

10-15

I funded five for Scott, two for Christmas and one for Shawn. I had 11 payoffs, took me a while to close all the files. I only had a few payments. I've got one deal cooking for 600k, but it's jace, I have no confidence in him. I'll probably blow him off unless he comes through in flying colors.

10-16

I funded four deals for Scott, Christmas paid me off on one he bought yesterday and then I had two others from Scott. I had a few payments. It was quiet day. I did have a lot of payoff requests, which I really don't want!

10-17

I funded five for Scott and I had one large one from Scott pay off, 1.4 million plus two others. He wired me 60k for work out and I finally got my insurance check for the house fire. He didn't arrive here with the quote for the work I should have that Monday. I've got another one already which I rather go with but this asbestos issue just won't die. We'll see on Monday what will be the direction.

10-20

I funded five, I had payoffs for seven. The best thing is that I had two payoffs from old loans of Scott's. I had a few payments in too. I have the insurance guy bringing the construction guy

tomorrow, I need to make a decision on that. My one foreclosure is going to auction Friday, the numbers don't look good. I'm not sure what I'm going to do. Scott is going to take a look at it too.

10-21

I funded one for Bennett and five for Scott. I had four payoff. Later in the morning I funded one for Cyler. I had Brian the fire guy come with the builder, to talk about the fire house. We went over the numbers, what a mess. I made him re-do it, and we straightened it out. It's about 6-8k more than the other guys, but I get more for it. I'll use his dude and use Scott's on this Marshall house I'm getting back on Friday. I had one lousy payment.

10-22

I funded some deals for Christmas and Scott. I had three payoffs and a few payments. I met with the construction guy Harold, gave him a check, signed a contract, and I expect it to be done by xmas. I sure hope he makes. I talked to Scott about the house on Marshall, it looks like it's going to take 140k to make it right. We'll see what the final numbers are, but I'm not shocked. He left me a shell. Like I need another project to work on.

10-23

I funded Scott's five deals and one for Chris. I had a few payoffs and lots of payments. I talked to the bank again, Bill and Yulanda, they didn't like my transaction volume again. It was 30 min conversation of bullshit. I talked to Scott and we are going to change how we do it, we are just going to balance at the end of the day and wire each other, 50k or 200k or whatever. No more 1 million dollar wires. See if that gets them off my back.

10-24

After having a sleepless night thinking about things, I slept last night, I still come to the right conclusion, I'm doing the right thing. We had another payoff on an AFG today. The problem is we only have one more in escrow. He did get four accepted contracts today, so that helps get rid of some old loans. I wired him the last million dollar wire. Now we are just going to do accounting at the end of the day, and then wire each other the difference. Today he wired me 73k and change. I hope I can reconcile now. I left a message for the Bill the banker, but no response. I postponed the auction until Monday for the 400k house on Marshall. I had a few calls on it, the next door neighbor, wants to buy it for 365k from me. I had no other guy call after I dropped the bid. I'm going to bid it, so see I can't get the max dollars on Monday. I just don't want another project, it will take 200k to do the house right. Then I went to my mom's meeting. I used to enjoy these and look forward to them. Now I'm concerned one of my investors, Stan was the only one that showed, is going to do some math and figure I need more borrowers. We only had 10 show up today. It's getting embarrassing. John Ray came by, paid me off on one house, or at least the interest and I changed the loan to a guy in CA that's hopefully going to perform. I met his partner, a mute. I'll finish end of month this weekend.

10-27

Scott was sick but still went to the auction, we sold it at 373k, 8k more than the other guy was offering me, and he didn't even bid on it? I don't get it, but it's gone now. I should get my money by Friday. I called the BofA dork Bill, never returned my call. What an asshole. Scott closed 4 loans and bought 6 more. He sent me 250k, I'm sure tomorrow I'll have to send him some money. I have end of month all done except the statements. I had a few payments. Other than that it was slow day

10-28

I funded in kind 6 deals for Scott, he paid me off on 3. I had to send him 250k or so. Shawn had 8 payoffs today, they totaled 300k is all. I had a few payments. I really hate the way we are doing this, but it makes sense, we balance to penny and wire each other the money. I just hope I can reconcile my bank acct this weekend. I funded one new deal for Chris too

10-29

I had super busy day, I funded three for Scott one for Dustin, returned 300k to Kirk. Then I had 13 payoffs coming. I had a few payments too. I've got so much cash! Scott has a few more properties under contract so we are moving the list up north of 15 again. I hope to get it up to 25.

10-30

I funded five deals for Scott, I've got one for tomorrow for someone else. I have four payoffs and I had one old one payoff. I had a few payments too. I talked to Lili, she's having problems buying anything. She wanted to make sure that I have money. Should be a busy tomorrow.

10-31

I funded four deals for Scott and one for a new guy. Then later one for Christmas, which he later told me not until Monday, too late, I wired it already. I had a few payments and I had three payoffs. Plus Scott paid me 75k against the work out. It was a quiet day.

11-3

I funded one for Christmas, that I thought I sent Friday, but he wanted it Monday and the acct I wired it to was closed, so it worked out just fine. I funded four for Scott and I had six payoffs. Only a few payments. My cash is now approaching 6 million.

11-4

I funded five for Scott and one for Christmas. I had 7 payoffs, one big one for 600k from Kyle. I was sorry to see that come in. I had a few payments. I'm just really contemplating paying off more of AFG's. I talked to Scott today, he's got a plan to sell 20 of his properties to Canadian. We have 20 under contract now. He's trying to create enough cash to pay off some of AFG's

himself By end of January we could be done with AFG and only have 50 or so properties to sell. By then I'll have to return some funds if I can't put the money to work.

11-5

I had six deals for Scott and one for one of John's clients, Donald. I had a lot of payoffs today, I had nine. I'm just building cash. Scott thinks he can have a million of retail sold by year end. He already has 75% of all my money. We have to get it down. I had a few payments. I've got another 600k deal on my desk, from Chris which is great.

11-6

My worst fears came true with Bank of America today. They cancelled my credit card last night, I found out this morning after dozens of phone calls that they are requesting I close my account in 30 days. I talked to Bill he wouldn't give me an answer, just a business decision. I'm shopping for banks now. Jason Podany's wife works at a local bank so I'll meet with them next week. I funded five deals for Scott, one for RPIM, I had four payoffs, then funded one for Don. I've prepared for tomorrow so I can be gone. I'm sure something will come up.

11-7

I was able to make sure everything was ready to go for the day. I had all the docs done, wires were set, and Scott ended up wiring me back. I had a few phone calls that I could take care of or managed to take care of after I got settled. I'm stressing about finding a bank.

11-10

I had a big day for payoffs not only from Scott but others. I worked like mad all day trying to catch up. I worked in to the night doing it too. By day's end I was done. I had a few payments, I have no one past due right now. I just need to get this last John Filipian loan rid of. Wednesday I work on getting a bank. Jason's wife works at one that might take me.

11-11

It was veterans day, I just did some paperwork and caught up on things. I spent most of the time wondering what I was going to do about this banking issue.

11-12

I talked to Ashley, her bank didn't say no, but they weren't really excited. Scott talked to Chase, they first said yes, then corp came back and said no. I talked to two other banks, First bank and Midfirst bank. Scott doesn't want me to go to first bank because that's where Eric banks at, he's paranoid that the contact will share the info with him about my account and Eric will try to do something against Scott. I don't know if this is real or paranoid but I have to respect it. I funded a few deals for Scott and had one payment and besides his wholesale deals, he had a retail close

and Chrsitmas sent me money 105k but I 'm not sure what it's for. I can't belive a bank like Chase would just tell me no we don't want your business.

11-13

I couldn't sleep again last night. I talked to two of the banks via email, they wanted copies of check, I sent them that. Both said they would get back to me today, they didn't. I called midfirst bank and I talked to the gal, spent 20 more mins explaining my business, and operation. She was nice but seemed to want to get off the phone. She said it was in their bank compliance department. The money that scott bought and closed was within \$53.90 so no wires today. I didn't even have a payment. I have to wait another rday, the gal said she would get back to me tomorrow.

11-14

I waited all day to hear from the banks. Finally at 2pm Midfirst called, they turned me down. I called first bank and they said yes, but they want 2 yrs tax returns, 2 yrs p/l/s balance sheets all sorts of stuff. I put a call in to Wells Fargo guy I know that I've lent money to he's running it up the flag pole I should know Monday. I had a few payoffs other than scotts too. I've got a stack of deals on my desk going no where. I got in a ton of payments today. But I'm just worried sick about this whole bank change over. I quizzed the guy for a quite a bit about restrictions and issues he kept saying no problem. at this point I don't believe any banker. I'm going to spend my weekend putting together everything for him

11-17

I spent Saturday night putting everything together for the bank, a ton of mfo. she and I exchanged email off and on all morning on things. I guess I head in to morrow. She never got back to me today like she said she would. I funded 6 deals for scoot and one for chris. I had onlypayoffs from scott. I had a lot of payments over the weekend and today. I just hope I can open this account tmorrow and get bofa closed on my own terms.

11-18

It was a quiet morning until I went to the bank. I spent several hours there getting everything set up. I wired in 2 million for the biz acct and I might be able to wire tomorrow. I talked to the gal at 6pm tonight getting someo f it done, I am hopefull for tomorrow. Scott's concern about the relationship with the bank and eric is over blown. The guy only knows eric on a professional level and hasn't spoken to him since the email that he sent him. Though scott saw eric last night and he said ohya, denny isopening an acct with first bank. So scott was worried they would communicate about our relationship and transactions. I don't think it's a concern. If I can get wires up tomorrow and ach by Friday, I'm good to go and off and running. I worked unitl 1 am, and I'm dead tired and not close to catching up.

11-19



Scott had a ton of deals to fund, 7 of them, plus a buyer of his came to me. I had a ton of payoffs today, 12 in all. My portfolio is down to 52 million. I deposited two checks to my account at first bank, found out I can't see them until tomorrow. I have people depositing money and I get a day delay on it. the guy called me and I was able to get set up on wires. I set some up for tomorrow. Now if I can get each set up tomorrow I'll be golden. Then I go close my accounts on Friday. I'm finally all caught up.

11-20

I had everything taken care of this morning so I left for school and the guy from the bank called to talk about ACH's. I came home and we went over it, it's simple. Then he said I could upload the info. It took about as long as it would if I would have typed it. but after a few tries and an 2 hours off and on, we got it all loaded. I'll do end of month this weekend. I had a ton of payoffs today, 2 from others and 7 from Scott. I funded a lot too. I have a bunch of checks come in for payments. I'll take them to the bank. I moved nearly all my money over to the new bank. Tomorrow I go in to close my account. I got everything caught up. There are few quirky things with this bank I have to work through.

11-21

I started work early hoping to get on top of everything with the banks. I went to First bank and deposited some checks, went to BofA to go over the plan to close it. the bitch assit manager said what I planned to do was right. I moved all the money out and wired it to first bank. I thought I had it all done and then I got a late wire in for 600k. now I have to try to get it out tomorrow! I went round and round with the bank pres wanting me to disclose the entire portfolio and my investor list. I said no, and stood firm. He thinks he needs it to go to the loan committee I don't. I'll figure out if I am going to go through with it or not. I had nearly 2 million in payoffs today. I have 10 million dollars sitting in cash now. I've got to get money out and to other people than Scott or return the money!

11-23

I did end of month all day. I worked from 7 am to 5pm, which only an hour break. I couldn't get the accts to reconcile, one was up one was down, after I factored in 3/4rds of the month of November. I think I was off less than \$1000 it wasn't worth spending more hours on it. now everything is going through First Bank. I loaded all the ACH's, I have a small prob, the tech guy will figure it out tomorrow.

11-24

It was a busy day in and out. I was able to fund three deals that were not Scott's but I had two more than Scott's payoff. I had a lot of checks in the mail because no one wants to find the First Bank branch, I don't blame them. I talked to the bank about the ACH's that didn't go out. They've got a much superior system than BofA's. they go out of my account the day they are supposed to! Not three business days in advance bullshit. I hope it works smoothly. I'm nearly at 10 million dollars in cash. I have a few deals on my desk, so I hope they start rolling out. Scott

6  
got about 5 more deals in escrow to close before year end. We'll have the list down more than I thought we would a few weeks ago. If the spring is strong we can get nearly all the houses sold. Then just have the work out to finish. At that point it could be 10 million dollars I think that is better than being in 2<sup>nd</sup> position and no interest coming in. Scott has religiously paid me every week for 8 months.

11-25

What I fucking nightmare. I do my daily stuff, I just happen to look in my bofa acct to make sure nothing is happening. These assholes reversed out my cashier's check erased it from the system. I called and emailed everyone. I go to the branch nothing they can do. Then I get an email back from my banker's boss and he says sorry, the acct is closed. I sent him the letter stating that I have until the end of the month. He finally responds back saying that I'm right they are wrong and now he's trying to figure out what is going to happen to the 650k check. I fear it's going to bounce. The stress level I have over all of this is through the roof!

11-26

6  
I was up from 1 am until I saw the check had cleared. I slept about 2 hours until the boys came in my room to watch the profit. I was busy in the morning. Scott only bought two properties and had one wholesale deal payoff. But he had three retail deals payoff, so that was great. I had a few payments. I worked on getting the scanner deposit but my scanner isn't compatible so they are going to send me one. I've got a few deals to do Friday and next week. a good sized one, 500k for a 18 unit complex. Over the holiday I'll try to get the statements done so that I can send them Friday.

11-28

I did the statements and sent them out. I never heard from anyone, so I guess all the ACH hit correctly. I had one deal to fund, the guy came here and we signed docs wired money to Frank and we'll record Monday. I had a check come in. I made 20k this month. I should have a better month in December since we have so many of Scott's retail properties closing.

12-1

Scott and I returned to doing wires, his arrived after 3 hours, so did mine. The only thing I miss about bofa. He bought a lot for tomorrow, I funded a 500k deal for John Filipian now he better get me out of this damn loan with Haig. I had a few payments and I picked up another deal for later in the week. I got my check depositing machine, works slick, now I'm ready for all these checks that I've been driving to the damn bank! I cut out the HVAC guy and I'm having Phillip do it, he's 50% cheaper than the guy Brian sent me. They are finally getting the house started this week.

12-2

I funded 1.5 million for scott. I had one other deal I funded, I picked up two more deals to fund next few days. I had a lot of payoffs, scott sent me 6, I had one other too. I had a few payments. I'm having everyone mail me checks now, because the bank dings me \$1 a deposit. I was able to get nearly everything done in my aloted time. nice not having all these bank issues hanging over me.

12-3

I funded 1.2 million for scott, I got a payoff on one of the old loans, I had to put up 40k to get back 170k, but that's ok. Scott paid me 75k in interest too. I had a few other payoffs too. I ended up with more cash today, but I've got a lot going out the next day or two. I had a bunch of payments too. I used the check deposit machine five or six times today and two of the checks were 6 figure so I liked that machine.

12-4

I funded about 2 million for scott, the 600k deal he's already got sold, for closing next week. he paid me off on 1.2 milion I had a lot of payments. I funded one deal for Maribel and I have two more to fund next few days from today. It's slowly picking up. But I'll still have a ton of cash. Tom doesn't hink he'll need his 1.7 million either. Never wanted to be give money back so gladly!

12-5

I funded a few deals for scott and he paid me off on about the same. I have another deal lined up for next week. I had my mom's meeting. Though the attendance is falling dramtically. It still went quite well. I was busy in the afternoon catching up and tonight getting everyting done. Scotts balance is way up. We've still got a lot of stuff closing this month, he's still getting properties under contract to sell, so that's a positive. I think come end of decmenber we'll be under 38 million.

12-8

I funded 1.2 or so for Scott, I had two other deals to fund. I picked up another deal to fund this week or next. All my payoffs were scott. I only had one payment. I've had a quiet day, done by 2:30 I keep hoping for more deals towards the end of the year.

12-9

It was a quiet day. I funded scott's six deals nad one other. He paid me off on four and I had one other payoff. The 34<sup>th</sup> drive house is finally moving, roof is on, a/c is 80% done. Nowthey have the inside to make pretty again. might be closed in 3 weeks if the buyer doesn't do something stupid between now and then!

12-10

I had a quiet day but busy I had three to fund for scott, and two others. I had six payoff of scott's and 4 others. I had one payment. From Gary O'Neil, always late and always a problem. I gave last chance to this idiot in CA through John Filipian to make the property right, neither responded, so I'll just foreclose. There is money in it. Damn yahoo email isn't working right nad I can't get shit done this afternoon.

12-11

Because I spent the morning at the school, I was super busy when I got back. I funded three deal for scott and one for another. I had 12 payoffs. I had a few payments too. I did a deal through moises again, we'll see if these people pay and payoff as well as they show up to do the loan!. I'm back up to nearly 9 million in cash. I have had a rash of payoffs from other investors.

12-12

I went to the bank to get a check and then went to Dave's office to go over taxes, I can't believe how much I pay in taxes! Over 300k for this year, and I can't find anything else to lower them! I had no other payoffs except Scott's and I only had one other deal to fund besides scott's. I had some payments too. Then I had my 4pm call at 2pm, two trailer houses on some acreage up in black canyon that you can gold mine on.

12-15

I funded seven deals for scott and I had four payoff, plus 2 others and a few payments. it was a quiet day, but Lili called and has a 2.7 million deal for next week or maybe 26<sup>th</sup>. Yea! I can put some money out finally.

12-16

I funded seven deals for scott and he paid me off on two. I had one more payoff from Osman. I had no payments that showed up today, I might see them tomorrow. I have two new deals to fund tomorrow plus 100k down on Lili's deal. I hope it closes early.

12-17

Besides the seven deals for scott I ended up doing three more for others. I have three for scott tomorrow and two others. I like getting more money out to others! I only had payoffs from scott. I have payments in the mailbox I'll have to go get it. it was a really busy day getting docs out and chasing insurance for these new borrowers.

12-18

I funded three for scott and two others for other folk. Scott paid me off on 5 plus one old one. I should have three more old ones close tomorrow too. Knocking down these old ones slowly but surely and hopefully no money out of my pocket to do it. the best payoff tonight was Gary O'Neil, he came to the house at nearly 7pm, but he brought me a cashiers check and I had to just

cut him off from talking to and telling me stories. I thought for sure I would own that one! I can't get John to get Haig to sign the deed in lieu I need that because they won't let me foreclose him.

12-19

I funded three for scott and one for Flip. I had several payoffs I had another old one payoff, scott covered the overage, yesterday and today! Plus he sent me 40k. I had another payoff on another one too I get an email from the pension strategy people telling me they can't help me with the possible conflict, contact a lawyer. It just pissed me off. I did what dave said, I did what they said and now they are telling me I'm in jeporady of being in trouble with the IRS. I'm going to move my DB to a CD and then close my 401k.

12-22

It was a busy day, but good day at that. I got one more old loan paid off, but I nearly had to send as much money to title to get it back. That's going to get worse as we get to the last of these loans. I had a bunch of payments come in so that was good. I had finished 80% of end of month yesterday and all of end of year, so that's done. Just need to write the newsletter and do the statements, which shouldn't be hard. I funded six for scott and one for Chris, I had three come in from scott and that old loan payoff. I've got a few more deals to fund this week, we'll see if they come to gether. Now that I'm pulling my DB and 401k out, plus tom emailed me for 1.8 million, my cash problem is fixed.

12-23

It was a quiet day. I had four to fund for scott and one for newbie. I had two payoffs from scott and that was it. I was supposed to have 3 others, I guess they'll come in tomorrow. I had one payment. I'm still riding John's ass about getting the docs signed for this problem property of his. I have to get him to sign them because I can't foreclose on his ass. If he gives me the property back I can sell it. I got the paperwork done to move the 1.8 out of my DenSco and in to a CD. That should be done tomorrow.

12-24

I was way busier than I thought I would be today. Tom emailed me wanted 1.6 million wired in. after I took out my DB money and now Lili wants to close 2.6 million on Friday, I'm out! I have to move out my 401k too! Scott only bought two today, but I only had one payoff. I had three other payoffs come in. I talked to brian and he gave me a million. then tom emailed me tonight saying he doesn't need the money! How fucking crazy. I finished end of month too. Just do statements and I'm done.

12-26

I had a really slow day. I funded two for scott. I had one payoff for miller and Minh came by to sign docs for a wire on Monday. Lili's deal didn't close, it will now be Monday. I will finish end of month tomorrow.

12-29

I got all my wires off. I had 2.6 for Lili's deal and two for Scott. I had a ton of payoffs, 1.9 million worth, plus I had a few others. He also sent 30k of interest on the line. I was able to take all the phone calls and emails while I was boarding. I worked for 4 hours at night to catch up with everything.

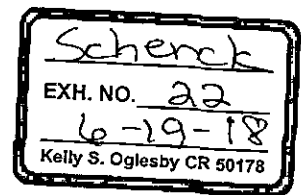
12-30

I didn't leave for the ski mountain straight away, so I was able to get all the wires out I needed too. Lili called me saying I need to allow Terry-Ann to wire it to CA for a double close and let them close with my money then they will return it with a deed. I talked to terry-ann and I said no way. Lili was pissed, but there was no way I could do that. Terry-ann will return my money and they'll work on a 10 day extension. The guy selling it to her, couldn't close on his end. Then Tom sent me back nearly 600k, and I'm supposed to wire back 369k, he's trying to make a paper trail of some kind. It's not coming together like he wanted. I had a few payments and Bartlett closed too. That was the deal we bought from Brian my neighbor, he hardly made any money on it.

12-31

Scott had 6 deals to fund. I had three payoff. Plus getting 2.6 million back on Lili's. I never heard from her, I'm sure she's mad at me. It was still a busy day! I had LSR requests, doc requests, payoff requests. I accepted a contract on the last house I own too! It's a quarter to 10 and I'm done! Made 1.37 million. I will have a hell of a tax bill. I also wired out my 401k and closed it down. I hope this next year, we get scott's issue completely done and then I can downsize the business.

# **Exhibit No. 136**



2015

#### Goals

- Get Scott down to 5 million and only wholesale
  - Not even close, 28million
- Stay in business
  - So far
- Be profitable
  - Yes, but not really sure it counts
- Get the total portfolio down to 50 million or less
  - Its down to less than 50 million of investor money

1-2

I funded three for Scott, two overages, and then I was supposed to have three retails payoff. I only had one. I hadn't updated the bank info for the two of the payoffs, so they rejected the wires. I'll get them Monday. I had two calls from borrowers from long ago looking for deals. I was basically done by noon. I'll be busy all weekend catching up!

1-5

I funded one deal for Flint and four for Scott. I had 3.3 million in payoffs combo of Scott's wholesale, two retail and two other payoffs from other borrowers. I had a ton of payments. I got the mail; I think I deposited 10 checks. I went to the bank and got all the notaries done. It's spring time, it's time for the deals to start rolling in, and I hope Scott can get the rest of these under contract in the next 90 days! I was super busy getting everything done. I worked 12 hours yesterday which made all the difference in getting caught up. Scott has 58 homes to sell. We do that then we are done with retail, and can concentrate on just paying down the balance.

1-6

I was all caught up going in today. I had a busy day with Scott's stuff, seven deals to fund and nine deals closed. I funded one other deal for Andrew. I've got a few to do this week, not many. I hope the retail sales pick up. The damn burned out house is still three weeks out from being done. Slowest project on earth, these guys use everything as an excuse. The buyer is willing to wait. I can't get John to get this asshole to sign the papers and take over this other house. I hope I can tomorrow.

1-7

It was an all Scott day. I was able to get some renewals done too. I've got a few deals coming to me every day. I've not heard back from Lili yet. So I've got 6 million in cash, I may give some back to Brian if she doesn't take it. I talked to Scott about our plan for the spring. We should be able to sell the remaining 50 or so houses. He's getting 500k on his house, his mother refi, he thinks he has a buyer for his PV house, and should get some money out of Israel. Perhaps some stars will align for us.



1-8

I funded Scott's deals, and then I got a request for Lilli's 2.6 million, so I was drained of cash. Then Scott called wanting to buy a 1.5 million property that he can make 100k on. With the payoffs he has coming and plus Chris Hughes paid me off on 600k today; I think I can swing it. Tom called me late and now he's going to send me back 700k, so I should be good. Mike Swerlyk has a deal for 475k he can't fund, that I will, it's a great LTV I can split between two properties. I'm back to fully invested and Scott's numbers are coming down, another AFG paid off today. They will go up with this 1.5 mill deal but that's just temporary. I hope this weekend that he starts getting properties under contract, we have 58 to go.

1-9

I had a busy day because I had so many closings, I think 11. I funded one new one and then five for Scott. He bought the million dollar house which he says he's making 100k on in 12 days. I'll take that money in a heartbeat. He even got a contract on one of the retail houses, I hope he gets more this weekend. I had a few payments today, still missing a few too.

1-12

It was a quiet day. I only had two deals for Scott, but one was 1.4 million. The one he'll make 100k on. I had a lot of payoffs mostly Scott's. I was going to do a deal where a buyer sells to another and I do the escrow but the doorknob couldn't follow three steps of directions and email me the document in pdf file before he mailed them. I have two new deals to do this week, good ones too.

1-13

I had another quiet day. I funded five deals for Scott and he paid me off on five deals. I had one other funding for a 60k loan on a new guy. This fucking John didn't get shit done with that Haig guy in CA. He now wants to re-finance it. I'm working with another trustee to see if they will foreclose on him.

1-14

It was a quiet day until I had to record a doc for Bennett in Chocoma County. I use simple file. The damn software was working. After I was on the phone for an hour and half, he was making changes to my computer, then we had to reboot and it wasn't working. I had to work for a while then he called back at 3pm, after another 30 mins we got it to work. It's not 6:30 and I'm done. I funded 7 deals for Scott and one for Kyle. I was paid off on six deals. I also finally was able to take care of 3420 W Altadena. John Filipian didn't come back from CA with the signed doc and now he's saying he's going to refi it. This is just getting drug out so badly.

1-15

6

I had a much more productive day. I worked early so I could go to school. I came home and caught up before things got out of hand. I had seven deals for Scott and one for Casa. I was only paid off on five, but same dollar amount. I have a busy day tomorrow for few deals and next week will be busy because of the short week. Harold called, they will be done with the house next Tuesday I called Wade to meet the sup there and walk through tomorrow. We could have this damn thing closed in 2 or three weeks.

1-16

I funded seven deals for scott, and one for another borrower and one for Cyler. I had four payoff, but they were large. Scott paid 100k to the workout too. I only had one payment that I've seen so far, I was expecting more, I'll see them tomorrow. Wade went ot the fire house and said it looked like a palace compared to the what it looked like before. The tile is a hodge podge of shit but it was like that before.

1-20

I did'nt do any work all weekend. I was really busy today. I funded 8 deals for scott he had 6 payoff. I had a ton of payments, we have another rbusy day tomorrow I had a lot of calls but no one won at the auction. I went to lunch with Adam and Nishel. I thought they were going to throw another deal at me, instead they are just frustrated on the lack of deals

1-21

6

I had a busy day from jump, a few calls and scott paid me off on nine deals, I had one other deal payoff. I funded only three for him. I returned funds to Locke's, small amount and the balance to Kirk. With what Bunger told me he's taking back, I can slowly whittle this down as scott pays me back, it might work out ok. He bought a ton today though. I got all my end of year tax stuff done for DenSco, 1099's, state and fed tax payment forms all done by Dave's office.

1-22

I got up early and did all the morning work so I could go to school. it was quiet enough while I was there that when I got back iw as able to catch up pretty quickly. I funded six deals for scott and the paid me off on six. It was busy today, he's got nine for tomorrow. I had a few payments too I can't get anywhere with john and this fucking idiot in CA. it's driving me nuts. I have to find someone to foreclose on him.

1-23

6

I started in the office early and got stuff done beofre I left for the mom's meeting, lousy attendance we only had 13 there. I gave my speel and everyone interacted. I came home and caught up with shit. Wade walked through the house, he said it was good. I didn't hear from Harold I guess he'll want it his money Monday I've got a long weekend ahead doing end of month.

1-26

I funded five deals for scott and I had five deals pay off plus one from Andrew. I had a few payments as well. Scott is going to start to buy more retail to start trying to make 15-30k a house retail to allow him to give him more money to pay down on a weekly basis. His goal is 200k a week, he gets to that, we'll be in much better shape. He'll eat up more cash, but I have a bit of that idle anyway. I nearly have everyone giving me their info for end of month. I spent nearly 10 hours working on it this weekend. I'm almost done.

1-27

I funded two deals for other than scott, with him seven. I was paid off on seven, plus three more, 2 of his old deals. I had a few payments. I've got some deals lined up again for next few days. I'm going to finish end of month, if I could get these people to send me the info back I requested. How hard is it to give me a checking acct number?

1-28

I had five deals for scott and one for Chis. I met dave for tax session for DenSco. I had eight payoffs. All but one from scott. I only had one payment. I did get all the renewals done. I only have three more people to get back to me for info so that I can have everyone moved over to monthly or quarterly payment. I just need to do statements tomorrow night and I'm done.

1-29

I funded one for a new guy and five for scott. He only paid me off on three and I had one other paid off from a new guy. No payments and quiet day. now I'm going to do the statements nad I'll be done.

1-30

I funded seven deals for scott, we had one old deal close, so I had to send a few dollars in for that one. he paid me only 50k of interest but we had two other closings this week that he covered. I had 7 closing from scott and one from another guy. I had a lot of payments. my p/l shows I made 380k but until I have scott's work out loan paid odown, I don't count it as profit!

2-2

I reconciled over the weekend, and I came up correct. It's so easy when it's in one account. All the money in and out today was scott. 1.4 in, 1.7 out. He bought two really good retail deals, hopefully they come back and make some money in the next two months.

2-3

I had a super busy day, scott had 9 deals to fund and paid off on one. but I had seven other deals payoff. I had a few payments. I was all caught up with Sean's father in law came by with some

friends and wanted to know about mybusiness. I had to work a few hours in the evening to catch up. Victor bought to deals, we are negotiating on the down.

2-4

I was really busy all day. I met with Patterson construction and paid him 24k more. I hope to get about 13k back from the insurance company. If I do that and close on the house next week, I should be able to net maybe 10k! at least it's not a loss. I funded nine deals for scott and one for Victor. I had 10 deals close and I had a few payments. I had to do payoffs for scott tonight. The city of Glendale called on past due water bills from 2011! One of them wasn't mine and the other was a tenant. They say they are going to send me to collections.

2-5

I got in here at 6 and got everything done before school. I was able to take care of everything by 3pm. I funded five deals and I had nine deals close. I've got some new deals for next week. the old Easy ones will start closing again next week. he has a lot of retials going on the market too. That should help big time with profits and pay downs of the work out.

2-6

It was a steady day of scott deals, I funded five, but was paid off on 8, plus 100k. Bennett had one payoff too. A few payments. it was quiet in the afternoon so I took a nap since I'm so sick.

2-9

I funded 500k deal for Lili, two for Bennett, one for Maribel and five for Scott. I had a few payments and six payoffs. I am trying to figure out this property with Haig and John. I can't foreclose, he won't refi. Now I have Eric involved. Hopefully he can push john to do something.

2-10

I funded six deals, and I had seven payoff, I had a few payments. I got all my docs sign/notarized for the sale of renata except the Hud is wrong, mostly the HOA of course. Lindsay is beating them up about that now. I'm still fighting with the city of Glendale over water bills from 5 years ago. I've got deals on my desk, hoping to clear them before I leave, but it's not going to happen.

2-11

I funded eight deals for Scott. Two of which are retail. I'm starting to get payoff requests on his now, so we should be able to have a great March, Feb won't be so good. I had to return 200k back to Tom Smith today too. I worked all afternoon basically doing tomorrow today so that I'm ok to leave tomorrow. Shawn is sending me several new deals too.

2-12

Because I did so much prepping from last night, I had no issues today keeping up after being on

theplane. I was able to get set back up and send out some wires before cut off. I did all of todays transactions and most of tomorrow to get ahead of things. looks like we are going to close renanta and fight out the hoa dues later. I only had scott deal's today and one payment.

2-13

Because I had all the prepping last night, I had everything taken care of for today. I had a few more payoffs come in than I was expecting and a few payments. I was able to get set up at my sisters house to do a wire.

2-16

Because it was a holiday, I had one phone call. I worked for hours tonight getting prepared and ready to tomorrow.

2-17

I ahd everything done last night so while I was traveling things went ok. I landed and had emails and vmails a mile long. I received my payhoff on renata cir, one less home that I owe. Notwithstanding the lost interest, I netted about 7k. 34<sup>th</sup> street should close tomorrow, I'll be down 2k, but I've got an insurance check coming for a few more grand. All the other payoffs were from scott. I opened my mail, I had 20k in interest payments. I worked until 1 am to get caught up. I'm 90% there.

2-18

Because I worked so late last night, I didn't have much more to catch up on. I was busy with normal day stuff, then found some huge recording errors I had made on some of Scott's properties, I fixed all of those. I got all the releases and recordings for the day done. Lili's small 500k deal paid off today. The 34<sup>th</sup> drive should now close tomorrow. Then all I will own is dirt. I only had one payment that I've seen so far. I moved a property from Brian to Shawn.

2-19

Only had two wholesale to fund and one retail. I had eight payoffs from Scott and the 34<sup>th</sup> Drive burned out house close. Once I get the insurance check next week I can say I didn't lose money. I had a few payments too. I'm concerned with Scott because the whole sale balance is near 20 million and the total is nearly 43 million. we have to get hti sdown. I know he's been buying a lot of retail lately, which will help make him money and pay down the balance on the workout but I can't have this much money still growning.

2-20

I got a late start, but it was an easy day. I funded four deals for scott, an overage to get a payoff on an old one and then a retail property. I had same number of payoffs and a payment. Then just random sill phone calls from people. A missing release from 2005?

2-23

I did end of month all of Sunday afternoon. I just have the statements to do. I had a bit of stressful day. scott was traveling nad wasn't making deposits. I had to wire him out money for today purchases, plus another deal and no money was coming in. I had to move money from my personal acct to cover it. luckily out of the blue Lili deposited 500k in my account. I was all thrilled, then scott made his deposits. Life was good, an hour later I get an email from Tom wanting 2 million out in the next 45 days. I told scott he's got to slow down this whole sale stuff, it's eating too much cash. It's always rising and I can't give him 100% of my money! He's meeting with the gusy on Wedensday see what the plan is.

2-24

I had about the same money come in as out for the wholesale, but I had to send some money out to get a payoff on an old scott deal. I had a few payments and I had two other payoffs. I talked to scott, he's having the meeting tomorrow. Tom gave me a schedule to return 2 million to him. Not what I want to do right now, but it never comes when I want it too.

2-25

It was a good day for payoffs. Scott paid me off on four and I had two others that paid off and more coming next few days. Scott had his meeting, they said it will go up to 22million by end of 2<sup>nd</sup> quarter. Which won't be a problem if he sells a lot of retail properties between now and then. We walked through a few scenarios I think we can make it work. we just need to sell these last 40 properties

2-26

I funded one deal for Shawn and five for scott. He paid me off for six, two from shawn and one from Judith. I had a few payments in too. Scott bought nearly 2 million and only has 1.6 coming intomorrow. I'm going to be tight to be able to return funds to Tom.

2-27

I sent statements out. I didn't have as many payoffs come in as I thought. I should have a lot come in on Monday. I can return the money to Tom that he requested. I hope cash flow improves. I had to do all the deals on my desk but two today, drained me. Plus Chris had one. Scott paid me back 40k more than he borrowed, plus a retial one closed. We have more next week closing too. I had a few payments and lots of stupid phone calls.

3-2

I did no work whats so ever this weeked. Scott did say he got a ton of calls, hopefully we'll get some contracts. Today was busy , all the deals but one on my desk funded today. I barely had the money I needed to return 700k to Tom, wire money in to cover an overage for Scott, wire in for

the deals and then get all the payoffs back in. I'm still missing 4 of them. I had a lot of payments too. I hope tomorrow brings in more payoffs

3-3

I funded six for Scott, I had two big ones pay off for more money then Shawn paid me off on four of them. I had a few payments too. I've got a little bit of cash. I need more, I hope more payoffs come in this week. I went to lunch with Glen. He's quit working and going to live off what I pay him. Add him to the long list of people.

3-4

I funded a bunch for Scott and he paid me off on a bunch. I'm going to hit a serious cash crunch, I don't have hardly anything closing next few weeks. Tom wants more money out and I have to pay my investors interest and my taxes all in the next 30 days.

3-5

I funded six deals for Scott, we had one deal that was old AFG, which paid off. I had to send him 250k to get 325k back! One more done I guess is the best way to look at it. I had 8 payoffs from Scott and one from Roger. I've been turning down deals like crazy so I can do what I need to do. It pisses me off.

3-6

I funded seven deals for Scott, I had six pay off. I had one of Miller's payoff. I had a bunch of payments. I was supposed to meet with one Moses and new borrower but they never showed up. It was a quiet day, which was fine with me.

3-9

It was a quiet day. I funded four deals for Scott, sent Tom back 200k. Scott paid me off on four deals, and I one of Shawn's came in. I funded a new deal for a Cuban gal, that Cathy had already bought. Makes me a little nervous, I'm in it right though. Scott only got one contract, but is expecting at least three more. We need them!

3-10

It was a super quiet day, Aaron's deal out, five others for Scott and four that came in and one payment. I had a lot of phone calls, but nothing of significance. I typed up nearly the entire months renewals!

3-11

I funded four deals for Scott, one for Miller. I bought the food for the party. I got some kinko's stuff done. I got the renewals all done for the month! I had a few payments. I had a pay down payment on 80k on a loan for 230k.

3-12

I funded seven deals for Scott, and one overage, which came back to me. One more AFG deal done. We are down to just 16 that we need contracts on. I had one other payoff from Miller. No payments thought. Dad and I bought all the liquor for party.

3-13

I funded four deals for Scott, I had two pay off and one other deal. A few payments which I'll have to see the deposits to figure out who they are and how much. I'm ready as I can be for this party. At 11pm I got an email from Dave my attorney wanting to meet. He gave me a year to straighten stuff out we'll see what pressure I'm under to report now.

3-14

It started off pretty bad, the food arrived, late and no warming trays, just in tins with tin foil over them. Mo got mad at me. I guess I didn't cover that with him. We heated up the oven and just set it up. I only had three no shows. I only screwed up one name and forgot one spouse name. The time flies by so quickly it's weird. I never think I talk to everyone like I want to or need to. I'm glad it's over.

3-16

I funded five deals for Scott, we had three payoff and one old one. We only have 2 left of the old Chris list of hosues. We have a few more AFG to close this month. I had a few payments over the weekend and today. I've got more in the mail.

3-17

I funded five deals for Scott, I had three that paid off for nearly the same money. I had a few payments. I was thinking that I would have some more payoffs from other deals, but they've moved from Friday, to Monday to who knows now. I'm building up my cash so that I can make sure I've got enough to take care of everyone.

3-18

I had a slow day in the morning then I had a few new deals I might do, I have some cash, but I'm nervous to put the cash out and not have enough to put it out for interest and taxes and for Tom. I only had one payment.

3-19



I funded four deals for scott and one for Jordon, then I was supposed to do another one for Chris but now it's tomorrow. I had no checks come in the mail, buti should have some deposits made today. I didn't have a phone call after 1pm.

3-20

I funded 7 for scott and he paid me off on 5, I thought I would have about 5 more payoffs, none of them came in. I funded one for a new guy, I'm nervous about, but there is tons of room in this house. It's already 80% fixed up too. I had a few payments, I hope a few more appear in my account tomorrow morning.

3-23

I finished end of month yesterday.all I have to do is write the newsletter and do the photos. I should do them today, but I'm not motivatd. I funded four deals for scott, he paid me off on four, I had noather 7 that were supposed to close, but I never received the wires. I had a lot of payments both in the mail at made at the bank.

3-24

I funded four deals for scot and one for Flip. He paid me off on two that was more than I funded I had lunch with Dave beauchamp, I was nervous he was going to put a lot of pressure on me. However, he was thrilled to know where we were at and I told him by April 15<sup>th</sup>, we'll be down to 16 properties with seconds on them, and by the end of june we hope to have all the retail houses sold by then and just doing wholesale. He said he would give me 90 days. I just hope we can sell them all by then and darn near be done with it. I'm going to slow down the whole memorandum process too. Give us as much time as possible to get things in better order.

3-25

I started early after dropping Maxx off, I ran to the bank, and I had a steady day. the best thing was lili 2.7 million deal is going to close 3/31, that will give me the breathing room I'm need right now. I funded 6 deals for scott, hepaid me off on 8. We've got another AFG deal closing tomorrow. He's got two more in escrow, he needs to get more! He did get his dealer license sohe can start selling cars now.

3-26

I funded five, paid off on four, but not the right amount of money. More needs to come in then go out next week, or I'm in trouble with cash. The AFG deal closed, but I found out two others fell out of escrow. I was paid off on a retail one too. I had one payment. I had a lot of requests to fund deals. I'm really low on cash. I am now really hoping that Lili's deal closes tomorrow.

3-27

I funded four deals for scott, 1 for Horizon Max and one for Gary Burleson. I was paid back only on four of Scott's, I had like 5 others supposed to close, none of them did. Lili's big 2.2 million is now supposed to close on Monday. That happens I'm in great shape! At least I'm getting paid back 400k more than I'm putting out for Scott on Monday too

3-30

I did the newsletter yesterday. All I need to do are the statements tonight. I funded 7 deals for scott, he paid me off on five, I had two others close. I've got nearly a dozen that are or were supposed to close between Friday and tomorrow and I have no idea how many are actually going to. Lili's was Friday, then Monday and now maybe tomorrow. I'm so low on cash it is scary. I'll be able to pay interest and return money to Tom. I got another request from Weiskop's want their money back too. It's just goin to get ugly in the next two months.

3-31

All the ACH's went out as they should have. I paid out over 800k of interest. I funded six deals for scott and he paid me off on 11. He paid interest on his workout and I had one other closing. I've got another one coming in the morning and supposedly Lili's too. That comes in and I will have cash to take care of everyone on my desk and tom's request. I had to return 300k to tom too today I was down to my last 200k before I had a few wires come in.

4-1

The first wire I received this morning was 2.2 million! I wired Tom another 300k, so he's done for April. He emailed me back saying he may not need anything until june now. I had some other payoffs come in too. I've got two more coming in tomorrow. I was able to clear the back log of requests off my desk. Everyone is happy and I've got money in the bank. I funded 7 deals for scott and he paid me off on five, plus an AFG came in. he got another one under contract too.

4-2

I funded five deals for scott, one for Rodney and one for Shawn. I was paid off on one of Cyler's plus three of Scott's. I'm still growing in dollars with scott on the wholesale. It needs to peak this quarter and reverse! I had a few payments I decided to except some money in even though I'm flush right now I'm taking him 500k from Adam/Nishel. I can give it back when I want and I know they will want it back at some point before too long.

4-3

I funded five for Scott, I had two others to do for Chuck and Rodney. I had a few payments come in and scott paid me off on five deals. I was supposed to have another one of Rodney's pay off but I never saw it. it was areally quiet being good Friday I met Nihad and family for early dinner. Great to see him and meet his kids.

4-6

I funded five for scott, he paid me off on three. I had one deal payoff for Rodney and another small 15k on from john. I only had onepayment. It was quiet day except a lady callingme about a house that scott bought at the auction. I'll have to call her back tomorrow. I funded a deal for Barry, I'm sure he'll be paying me back quickly. Miler bought one at the auction too.

4-7

Flint's deals finally closed, probably 2 weeks after when they said it would. It was even my bank! I funded one deal for miller and four for scott. He paid me off on four too. But for not as much money. I didn't have anpayments and hardly any calls.

4-8

I funded five for scott and was paid off on four, plus one of Shawn's and then one of the old AFG's was paid off today too. He's got a bunch of them on the market and rehab now By next week, there should be about a dozen more on the market. We'll really start moving these darn things. I met with Flip's partner out of CA. More armenians'! I swear these guys do a lot of real estates tranacstions over here.

4-9

I got the payoff form the land deal that roger stuck me with. It's been over a 15 months, but I've finally sold all of them the stuff he stuck me with. I lost about 100k on him. I funded four deals for scott he paid me off on 6. I had a few payments and a few payoff requests. I wired him less than he's paying me off tomorrow. Damn good thing. I've got deals starting to stack up and I need cash. Plus next week I have to make the tax payments!

4-10

I funded four, paid off on seven for scott. One more came in Aaron, I have another that closed but not in time for the wire. I had a few payments. I'm getting a few deals lined up for next week, but I have to conserve cash for paying my taxes!

4-13

I funded four deal, it should have been 5, but the bnak fucked up and didn't release one of the wires. Scott paid me back on only five deals an di had one of Victors payoff. I had a few paymentns too.

4-14

A real quiet day. I've got a 400k payoff coming next week, but I had requests for 300k today for the money. I harldy have any more payoffs coming in the next two weeks, so things have to be slow. Scott says he's got houses going on the market nearly every day. we have to sell 48 total houses. He's got maybe 10 that are empty, clean and on the market not under contract. By the

6  
end of next week, we'll have twice that. Then the contracts start coming in droves we hope. Just this evening, we got three accepted contracts, I hope this pace continues briskly!

4-15

The contracts rolled in last night and this morning, four more! Now it's just a matter of putting them on the market. I funded two for Mike Moore, seven for Scott. I was paid off on six from Scott, plus an old AFG. I've got a few others supposed to close tomorrow. May is going to be a busy month for selling off these remaining properties.

4-16

It was a slow day. I funded one for Minh, six for Scott, he paid me off on four, plus I had two more that paid off, so I'm up to 4.6 million in cash, which is great! I had just one payment that I'm aware of. I've got a few deals to fund other than Scott's in the next few days. I just hope he lists more and we have more contracts this weekend.

4-17

I funded two small deals and then five deals for Scott. He paid me off on three, plus I had one old one from Izabela paid off. I was expecting a lot of mail with checks, got none. Scott has another 1/2 dozen properties listed for this weekend. I hope more will get under contract. It will take three weeks to get all of them done. But they are getting under contract as quickly as he lists them.

6  
4-18

I funded five for Scott, I had four payoff. I had 1/2 dozen checks come in over the weekend. I'll have nearly 100k after Wednesday. He's also paying his principle down, 30k. I funded one deal for Shawn. I've got a bunch of deals to fund next few days and very little money coming in. Scott received another contract today, we are hoping for three more next day or two. He's got 7 more going on the market this week.

4-21

I funded two for Scott and he paid me off on 400k more than I funded him. Which is great! I had a few payments. I typed docs for a few deals too. He got another contract too. He thinks he's getting two more and 7 more houses are going on the market before this weekend. We are down to 39.

4-22

I funded four deals for Scott, one for Shawn and then returned 1/4 of the money that Nishel invested with me. He did exactly what I thought he would, need it before the time frame, in less than 2 weeks! I had a few payments. I had some payoffs that weren't Scott's too. I should have some more tomorrow.

4-23

I funded four for scott and two more for others. I have another two more for others tomorrow I had built up my cash to 5 million, I figured I would put some to work. now scott tells me tonight he's got 2 million he's sitting on for me to fund, he's been holding back on me! There goes my money! I have deals to fund next week, end of month, I'm back in a fucking cash crunch again! I'm going to sit here tonight and do end of month.

4-24

I funded two deals for shawn and a new guy, 40 LTV, I figured it was worth the risk. I had a few payemtns. I ran up to scott's to get the interest payment for yesterday. I had my mom's meeting. We had a super low turn out and I'm embarrassed by it, I need to get more people to go. Jeff and Tony came up from Tucson too. I had three payoff of Scott's and two others. One really old one from three years ago from the CA Armenian boys. We have a lot closing next week, I hope this is another busy retail weekend.

4-27

I was busy as hell this morning. Scott had eight deals, Eriv V had three, then Maribel had one. Scott paid me off on 11. I ran to meet Mike Swerlyk for lunch, he forgot, I came home right away, wasted 45 mins on that trip. I had one of Scott's old ones were supposed to close, they didn't get the wire to me. I had a few payments. one of the deals I thought was going to close go pushed, so I might break even this month. Scott is giving me more cash for interest Wednesday.

4-28

I funded four for scott and he paid me off on ½ dozen. I funded two other too. I have three or four others to fund tomorrow. I had no payments, at least that I can see. I had a rude man call me about a recording that we did on his property. He called scott and put such a scare in to him that we are changing the paperwork to record.

4-29

Ran to the bank to pickup the checks for Victor. It took me a few hours to catch up. I funded nine deals today. Four were other than scotts. I screwed up one of them too. I wired the wrong dollar amount and wrong docs, no one caught it until they were ready to record. I had some payoffs from scott and the principle payment. One payment was made so far today. I 've got a few I'm chasing right now. It will be busy night doing end of month again. the next two days will be really busy.

4-30

End of month went off with a problem. I funded a bunch of deals for other people besides scott and I've dropped by cash by 1.5 million. Scott's has nearly 4 million closing in May of retail stuff. I can't wait to see that drop off. now if he could start paying down the balance more. I

made a whopping 40k, might be 50k if people made their payments. that's because scott had paid me so much in cash this month. I don't think that will be repeated.

5-1

I only had two of the 5 deals that were supposed to close close. Scott's deals closed the same as he borrowed. I had a few payments. I was reconciling my account and someone paid their insurance with my bank info. that's the best I can figure out. One of scott's AFG's paid off today too. Next week will be slo, then after that the whole month will roll.

5-4

I funded four deals fro scott and I had four payoff. I had a bunch of payment Saturday and Monday come in. Tom now wants 500k back this week. he said not until June! Plus I have to return 250k to the Wieskopf's too. I need a ton of deals to close to do this.

5-5

I got one payoff in I was wanting, Ivory Ln, these small deals from the Hispanics, I'm glad to see get paid off. they are always late and don't pay their insurance, Moises I don't think I'll be doing more of these. I funded seven for scott he paid me off on five. I got an email from the bank saying my wires are large and my balances are low. It will go up soon, as these payoffs start rolling in. I just sent payoffs to Kenny for five properties, 4 of which close next week.

5-6

I funded six for scott, he paid me off on 7 and then I had an old one payoff too. I had a few payments too. we met in the morning for exchange of payments for interest. I've got a lot of closing next few days to build up my cash again. then next week, we start having lots of closings of his old ones, nearly every other day.

5-7

I funded seven for Scott, he paid me off on four, plus paid his payment for the workout. I had a few payments. I had three closing that were supposed to happen, none of them did. I have perhaps as many as 5 to 7 tomorrow. Lili called needing funds, I can't get them to her Tom suddenly wants another 500k out. Adam never got me the 750k he had said he would send.

5-8

I funded seven deals for scott, he paid me off on five, then I had three more close, which is getting my cash up. I had another 700k, supposed to close but didn't. Adam didn't bring me the 750k he said he would. I hope Monday will deliver.

5-11

I funded seven deals for Scott, one for Bennett. I had five payoff from Scott, one from Victor and one old one from Scott. I had a few payments too. I'm starting to build up my cash again, and of course, the 750k that Adam said he would send last week, is now 450k maybe next week. I have to start returning money to Tom again too. plus 250k at the end of the week to Weiskopf's. I hope the payoffs from this week don't get pushed, I don't want to be stretched again. then next week, I've got lots of payoffs coming in.

5-12

I returned 100k to Tom, going to try to do that every day until I'm done. I've got a lot of closes end of the week. I funded six for Scott, he paid me off on four and I had 2 others close. I had nothing else really happen. I've got a few to fund tomorrow, I need these payoffs to start rolling in every day. I want to keep my cash up!

5-13

I returned 100k to Tom, I funded two other deals besides, six for Scott. He paid me off on four. I had a few payments and he paid me his interest and principle payment on the work out. I need to get more closings in to return the funds and maintain my balance. I should have some more tomorrow.

5-14

I funded five for Scott and returned another 100k to Tom, then he requested another 700k. I can't fucking believe it! I told him it would take me a few weeks. I have a lot of Scott's deals closing in the next few weeks that will help. I had three payoffs from other borrowers too. I had a few payments.

5-15

I funded 30k for Eric, returned 250k for Weiskopf's and then funded five deals for Scott. We had to old ones close. One needed some money to cover. Next two weeks we have one to two a day closing every day. Steve Bunker called, wanting money out too! I've got requests now for nearly 3 million! I want to shrink on my terms not theirs! Nishel said, he's going to add 300k not 750k, just what I thought, never can come through at what they say they are going to do. I had a few payments too.

5-18

I funded two large deals for Scott, he paid me off on four. I had a few payments. really quiet day I've got a ton of closings starting Wednesday through the end of the month. I need every one of them to be able to return all the money to people that are requesting it.

5-19

I had some check issue with Scott. His large check didn't clear last night, so he wired more funds off it and then the bank was complaining about no funds. I wired him part of today's buys and that released it, the whole thing took 5 hours. I was able to return 100k more to Tom. With all the payoffs the next few days I should be able to get some more money wired off to all these people. I had one payoff come in I wasn't expecting until next week.

5-20

I funded three for him and one for Bennett. He paid me off on five, I had three others payoff. I returned another 100k to Tom. His first request of 100k is done. Now I'm going to work on returning the Weiskopf's next.

5-21

I funded four deals for Scott. I had four of his payoff, plus one of Victor's. I received my check on the property I took to auction. I got \$1000 more than I was due on principle and costs, so I count that as a victory. I had a few payments made too. Nishel invested 300k more. I'll be able to return some more funds and payoff my investors. I sent 250k back to Weiskopf's today. I still have 1.4 million I need to return.

5-22

I had enough funds to return the rest to the Weiskopf's. I was hoping to return some to Tom or Steve, but I only had two other payoffs come in and they were small. Plus Scott bought 1.6 million. I was scared the wire wouldn't go out because I didn't have enough collected funds. I had a few payments too. I keep turning away good deals because I have to pay these people back first before I put out more money. Next week is going to be nutty, like three a day should close!

5-26

I funded two deals but they were for 1.6 million. I had six deals payoff of Scott's and two others. I had a lot of payments. I'm out to Scott a lot on these damn wholesale deals. I can't wait for that to shrink. We have had so many of deals get moved out to the end of the week. I was hoping to return some more money to the investors that wanted some, but it's going to be either Friday or next week now.

5-27

I funded two deals, Larry and Victor, then four for Scott, one for Shawn, and I had to wire in overage for the deal I got paid off on. It looks like over a million will come in next two days with all the closings Scott has. It's going to cost me some money to get it, but I'll be able to start returning some more money to Tom and Steve.

5-28



I funded three for scott and one for overage, which I got paid back today. One more deal down. Tomorrow we should have 4 or maybe 5 closing of just scott's. I went to lunch with Tom and he wanted another 500k back. I'm going to have a rough time returning all the money that these guys want in a timely manner.

5-29

With scott being in CA for the morning, things didn't go perfectly smoothly but dam near. The interest was paid to the investors. I funded three deals for scott, and thre overages, then I had four of his deals payoff, three of them were AFG's. then I had surprise 400k payoff, so I returned 100k to tom and Steve each. I've got a little cash built up and I've got more closes Monday. I'm just going to turn away deals until I get them paid down, I don't like the stress. I made 275k this month, but I could hardly care. As long as the old deals get closed and hopefully soon, scott can start paying down the damn workout.

6-1

I funded one for Miller nad three for Scott, he paid me off on three. I had a few payments too. it was a quiet afternoon after 20 calls in the morning. a gal came by that I had done a few loans with a few years ago she wants to do them separate from her husband. I talked to her for a little while, gave advice. I talked to scott. He was doing the same thing I was this weekend, trying to figure out if we are going to round the corner on this and how long it's going to take. We talked for nearly 2 hours. he's freaking out. I'm starting to wrose then I was before I spoke to him. With the demans to return all this money to my investors, it's shrinking the avialbe funds to do other deals. It's giving me a cash crunch. I just need to calm down and look at it fresh.

6-2

I didn't sleep half the night trying to figure out how to get out of this situation. The one thing I decided was to defer the interest on the work out so that all payments are made to principle because it's going to rise another million and we need to see that balance go down not up. Then I emailed a few people to see if they wanted to invest with me some more money. I got 100k by noon. We had another AFG close today, darn near got as much money back as I sent! I've been turning down deals left and right! Probably over a million right now!

6-3

Tom requested money back today, I sent him 100k and steve 100k, I was going to send 200k to steve, but tom must really need the money back. I added up all the money that's suppose to come ni and what I have to send out and what I have in the bank, I think I will be ok. It depends on this meeting tomorrow that soctt has. I had the same amount of payoffs and funding for today, but scott paid me 80k in principle payment. I had several payments come in too.

6-4

I only funded deals fro scott and had his payoffs. I had one payment that I saw He had his meeting with the auction.com guys, he pushed back a bit, beucase we can't get any larger with this number. There is no way. We talked for two hours. we've got just 7 more AFG's to sell, then they are done, then 15 more retail that need contracts, about 10 won't be ready to sell for a few weeks to months because of tenants. We can have all retails sold othere then 10 by 7/31, we'l be in good shape. The stress I'm feeling is so overwhelming I feel like I'm going to have an heart attack.

6-5

I went golfing with Dave Preston for a charity event for Queen Creek High School football program. It was raning like crazy all night and most of the morning. I was able to wire from myphone to Scott. I had one more payoff come in. I need to return more money to Tom and Steve.

6-8

I was worried about cash this morning because scott's deals kept getting pushed out from this week. Tom was bugging me about money, then out of the blew a borrower paid me off 265k today. I returned 100k to Tom and 100k to Steve. I didn't have any other payoffs and won't for a few days. I got everything done for today nad I'll be working in to the evening to get everything done for tomorrow. I had a late payment finally come in from one borrower, now everyone is current.

6-9

I had worked so much this past weekend and last night and earlythismorning I thought I was set. I get on the plane no wifi. The gal said it was because we were flying over water. such bullshit. I wasn't able to send a wire to scott, so we are going to have an interesting tomorrow. I had a few phone calls to return and tons of emails. I had to work until nearly 1 to get caught up.

6-10

I woke up at 4:30 HI time so I could get started. I was able to get a great amount of work done before everyone woke up. Because of the screw up from yesterday, I wired him first thing, he wired me back, then I wired again later in the day. we had an AFG close today, plus I had another deal close of Victors. I won't know if i had any payments until tomorrow

6-11

I had a quiet day, I was able to do everything I needed to do before the phone started ringing and the emails came pouring in. of course tom is bugging me about returning funds to him and now Nishel wants money back too I can't wait to be flush with cash. I funded a bunch for scott and he paid off nearly the same dollar amount. I had another payoff from Andrew

6-12

I funded 8 for scott, I returned 100k to tom and to steve, and 100k to Nishel. Then I had one payoff from Rodney. I will be able to return more money to them next week, I have more closings. I just want to get this behind me and build up cash. I'm turning down so many deals. I did fund one for Chris.

6-15

Scott had a big day, 1.6 in and out. He had one deal close but didn't record until 4:30 That will come tomorrow. I had another deal close. I'm getting some cash worked up again, so I can send some more money back this week. I've got 1.3 million closing this week, and 800k next week. if that happens I'll be in great shape. I had a few payments too. I had a few calls on old recordings I had done, I talked to a law firm and a homeowner. I think I took care of both to their satisfaction.

6-16

I had a lot of phone calls in the morning. then I was able to get most things done before we left. I wired from my phone and it worked fine again. I was able once we came back to finish the work for the day. I have enough cash to return more money to tom and steve. I'm going to do it slowly to ensure I can keep everyone happy.

6-17

Scott had another big day, 1.5 million in and out. One of the old retials closed too. we need more contracts though. I had one payment. I'm getting emails that people have sent checks, brian didn't check my mail for them. I don't know why, he always does I'm going to fund a few deals this week. I have to. I also sent back another 100k to each tom and steve. I might do some more friday if I get more in.

6-18

Scott tried to enlarge the wholesale number saying well I'm paying down the workout I can use that for the wholesale. I'm not letting him. That number needs to start dropping! I have to get his number falling, or it's going to be hell with Dave. He's done over 1.5 every day this week! he's been paying off that much too. I had no other payoffs and only one payment. I've got one deal funded today and one tomorrow. Maybe one more if I get a few payoffs in and then I can send tom and steve more money.

6-19

I funded two other deals besides scott's. I got back to my office by 8:15 and got started. I had everything done by 11, then I started catching up. I did some more Friday work and then I worked until 4, napped and worked until 8. I will be spending the whole weekend cathing up.

6-22

It is good to be all caught up again! I funded a few for scott and he paid me off on a few. I did one for Chritmas. I was supposed to have a few payoffs today, only had one via check. I'll have a few tomorrow. I gave Lili 600k for two days, then I'll get it back and be able to return some more to Tom and Steve.

6-23

I funded a few for scott and paid me off the same amount. I had two payoffs for other loans, I'll be able to send 200k each to Tom and Steve tmorrow. I had a lot of payments too. Lili gave me the 600k back today, so that was good. I've got some more deals closing tomorrow.

6-23

Scott is doing over a 1.5 million every day, thankfully I have enough money to do it. he's paying me back nearly on the same level each day I had a one payoff other than his today. I've got a lot more palnned, but they keep getting moved out. I had a few payments. I allowed Pete Rzonca to invest 75k today. I wired out another 100k each to tom and steve. I've nearly got htem taken care of. Of course now Adam wants 100k too.

6-25

I did eight deals for scott, I was paid off on one of his retails I'm getting another one tomorrow I thought I was getting 200k back, I didn't realize I needed to come in with 100k. but it's one more retail gone. He got two more under contract too. down to 22 left of retails and only 7 AFG's.

6-26

I funded seven deals fro scott. We had two more retails close, one was an AFG. The other wasn't, but both needed money. We are just knocking them off the list. I had a ton of payments made today too. Scott is headed in for surgery Monday so he'll be out of contact. Hopefully things go well. Then at 6pm I had the bank call saying they are holding a check because his signature doesn't look right. I called him he said the ink in the pen died so he had to re-do it. we are just going to change to large wires day after and that should solve the problem.

6-29

I funded 8 deals fro scott and had 6 payoff The dollars are getting out of wack again, he promises they will get back once he gets out of surgery this week. I hope it went well for him today. He's treating it like a teeth cleaning. I had a few payments. I got the ACH issue resolved so the tpayments go out tomorrow. I need to do statements today and I'm done. I spent the entire Saturday doing end of quarter

6-30

I funded out 1.5, and he paid me off on million. the wholesale tis over 24million now. He better get the damn thing down, I can't fund the deals I have on my desk now because he's sucked so much money up. One AFG deal did close today. I've got 3 other deals that were supposed to close and didn't. on the P/L I was profitable. I will continue to hold my breath until we get more of this problem resolved.

7-1

I funded and received the same amount from scott. I had one deal close from Bennett and one retail deal I wasn't expecting from Scott to payoff too. I was able to wire back the last of the money to Tom. Now I have just 500k to send back to Steve in the month of july. Adam wants another 100k too. I've got everything prepped to leave. I just need this one 500k payoff to come in so that I can fund a few deals next week.

7-2

I had prepped last night and I got up at 6 to get everything done before I left. I checked to see that the plane had wifi. I was able to send a wire from the plane. I had a lot of emails requesting things, but they call can wait until Sunday night.

7-6

I'm in deep shit. My first phone call was from Tom wanting a million more dollars out. I told him I cuoldnt' do it any time soon. He wasn't happy. All of scott's retail deals got pushed a week to two weeks. All the deals on my desk started needing to be funded. I funded two this morning and one tomorrow. I talked to shawn, he's got a 1/2 dozen deals, none of them I can do. He gave me this I guess I'm not your priority anymore. I'm fucked. I talked to scott he's so moody he's on his meds for pain killer. He says I have to work with him. But he's got nearly all my damn money! I can't even operate the business anymore. He says it has to work on getting it down. He's depressed, he's stressed, he's feeling like shit. I had my investors north Idaho dinner tonight. They all joke with me, "ah you aren't a sham!" " keep the checks coming". I was just sick to my stomach all day and all night. I didn't eat until dinner. Now I need to sleep.

7-7

I'm going about mad. I've not slept in I don't know how manydays. But at least scott go his wiring up and running so now he wired me 300k. which is good. If not, I'm not sure they would have let the 1.6 million wire go backt o him this afternoon. I funded the last deal I'm doing besides flints. I've got deals supposed to close, but none of them do. I'm so low on cash, we are going to have to go back to wiring the dfference instead of the whole thing. He was told by his doctors it will be another week until he's normal. He at least postponed his trip to isreal another week.

7-8

We agreed to send each other the difference. It solves our cash and bank issue. I hate doing it, but I can't sustain this way. I can't keep this much money sitting because he eats it all up. I slept and had a stressless day. I wired him 49k, I have over 2 million in my account I now can start doing these deals I needed to do. I'm getting a few payments in, but no payoffs. They keep saying they are coming.

7-9

I had one call all day. Scott paid me off with 40k of what he was borrowing. I got all the work done I needed to do before heading to the airport. We've got a few deals closing that I wasn't expecting this week. We'll see if they close tomorrow. Once I got back home, I wasn't motivated to start working. It's midnight and I've been here for hours.

7-10

I worked all day to catch up and nearly did. Scott had my oldest loan payoff, which is good. Then a big dollar one villa Rita for 490k. We had one more but there is a dispute with the HUD. It's an AFG. I'll spend the weekend finishing catching up. But I'm done now.

7-13

I worked until I had everything caught up on Saturday. I wasn't motivated enough to get a jump on investor renewals. I'll do them this week. It was a busy morning, but quiet afternoon. Scott had to wire me again, just 40k or so. We are moving down. His other closes aren't happening, but a few new ones are coming up. He's only got one property under contract in a month I think. I had a few payments made. I'm starting to fund a few other deals too.

7-14

It was a quiet day. I funded as many deals as I got back from Scott. But I had to wire him 250k today. Pissed me off, we had worked down the balance then boom! Up again! I funded a deal for Kirk. I'm going to keep working my cash down. I need to return more money to Steve too.

7-15

The numbers were way off today, the wholesale number is over 25 million now. I'm so uncomfortable about it. It better reverse by Friday. We had another AFG close, but I screwed up the wire. I'll get it tomorrow. I've got a few others closing tomorrow too. I can build up my cash again.

7-16

Scott paid down a little of his wholesale number, it's still huge! Two of his deals paid off for a total of 630k, but I had to forward 420k to get it. Two more old deals gone, one of them AFG. We've got another 4 or 5 for this month. Then nothing hardly because he's got nothing under contract. I set up the mom's meeting. We'll see how many show up. I received in two payments

from a guy that is cronically late, he says now the house is in escrow I hope I get paid off, I'll lend to him agam. John May wants me to do a deal with him for wholesaling. I said I would start with him and see how it goes Lili called for a payoff of all her loans. She does that I can return funds to Steve and start on Tom. It's over 800k total.

7-17

The funding was about 50k against me today. I had two other deals close. I was able to send back another 100k to steve. If lilie pays me off Monday I can take care of the rest. I have a ton of deals lined up for Monday I have more closings Monday too. I talked to scott for the first time in two weeks. He just ran on and on about being audited by the ADOT. The bank complained to me about Victor going in to the bank and being rude. I guess it's my fault.

7-20

I funded two deals other than scotts, he wired me about 30k going down. I had one other payoff and a few payments. Lili paid me off on everything today. All 800k plus I can payoff steve and send some money to Tom plus put some money in the kitty. It's good to get a little cash rich for once!

7-21

I was able to send Steve back 300k and Tom back 100k. Steve is now taking care of. Now I have 900k more to go on Tom. I'm going to send it to him slowly because I want to keep cash and be able to fund deals and get things more equal. I had no other deals but Scott's today, I've got a few more lined up for the week though. His retail closings keep getting pushed out. Just need a few more under contract and we'll have another ½ dozen closed by month end.

7-22

I had a super busy day! scott had the same number in as out. I did two for Victor, one for John May, one for Barry and I have two more lined up for tomorrow. i could have done one of them today if Maribel was more clear on her instructions. I'm pushing my cash down, but I'm just a little under 2 million. I have some payoffs the next few days and very little left on my desk.

7-23

I funded two extra deals besides Scott's and I had one of the wholesale deals close from John. It was a much quieter day. I'm getting my cash low, I need to get some payoffs coming in. I'm hoping some tomorrow.

7-24

It wasn't super busy today, however, none of the payoffs that were supposed to come back today did. now I've got two more on my desk, with promises that they'll be back next day I turned one down, nothing added up on the deal. I wired scott 150k, he said he'll reverse it next week, he

says that every week. he left for isreal. I hope something comes from it. he's been there 4 times trying to get something out of these guys. I'm not even sure I know the whole story. We had our Mom's meeting. We had 15 committ and 12 show up. Still a good meeting as far as interaction and communication. I had a few payments come in too. this weekend is end of month!

7-27

Finally I had a big reversal scott wired me 140k. plus he had a retail deal 300k close too. He finally had his balance go down. I funded another John May deal, I should have one of his payoff tomorrow. I had a lot of payments too.

7-28

I had to wire scott 83k, never two days in a row does he wire me large amounts. He's trying to get something negotiated with this asshole in Isreal. I wonder if we'll ever seen any money. I had a supposed 24 hour deal come back to me finally today, it took a week. I had one other deal loose of bennet's. I'm building a little cash, but I have hardly anything closing in the month of august. I'm a little nervous looking forward. I've got 800k, should come in this week. but I have 600k I have to fund.

7-29

Scott only bought 2 and had five payoffs, he wired me 73k. the balance has only gone up 140k for the month, so hopefully now it will start falling. I had a few payments. the best thing is I had some surprise payoff requests, if those come in before Friday I'll be in better shape for next week.

7-30

I funded four for scott and he paid me off on 6. Plus I had to wire to him 66k. there goes the balance up again. I had one of his old loans payoff though. I have a few deals to fund tomorrow and I have a lot that are supposed to come back tome, we'll see how many do. Now I just have to do the statements and I'm done.

7-31

I didn't get a single freaking payoff today. Even ones I thought were coming didn't come. Then I lost my temper with Cyler. He said he was wiring two deals to me tomorrow, didn't, he wouldn't respond to me. I'm like you want to know if I have cash, well you are causing the problems for me not knowing. He and his wife understand now. Scott got back thank goodness. I had it out with him again about the balance on the this bullshit wholesale thing going up. He thinks I'm wrong, I'm not. I told him no more. He had better stick to it. I've got too many good deals to fund and I need to get his balance down! I ended the month with 272k profit. Which is bullshit in my head until we make headway with scott's balance. Plus there is no way I'm paying a huge number in taxes again this year!



8-3

I had a quiet day. I funded two other deals besides Scott's. the 3 -5 deals that were supposed to close 7/31 to 8/3, none of them did, now they are all pushed to the end of the week. I've got so many deals coming at me right now. Scott's wholesale balance is under 25 million, it will go over it tomorrow though.

8-4

Another quiet day Scott wired me more money, but the balance went up Tomorrow should be interesting to see if any of these damn things close. Clyer paid me off on one deal. I've got 1.4 million supposed to close between now and Monday, yet they are the same 1.4 million from last Friday.

8-5

Another super quiet day besides, Tom calling me whining he needs his money back for his money pit house. I sent him 100k so he's happy. I had to give him 250k too I'm down to less than a million and I have 1/2 of it need to go out by Friday. I have 1.5 supposed to come in but that's the story of my damn life.

8-6

Another quiet day, except 2 calls from people wondering why I have a loan on their house and one email from an escrow officer for the same reason. I received no payoffs today, I've not seen so many deals get postponed so often in a long time. I'm now below a million in cash, hopefully something will come in tomorrow.

8-7

I funded another deal of John May, I only had one deal pay off. I had 1.4 million supposed to payoff last Friday, so far 75k has come in. I'm down to less than 500k total in cash. I should have a lot coming in next week, but that's what I thought last week. At least the balance on the wholesale came down this week a bit. I had a few payments come in too. I only have one small deal on my desk to fund next week. which is good because I've got nothing else to give.

8-10

I had one lousy close, I found out that one close was bringing me 335k is only going to give me 180k, because it's heavily in debt. I'm down to 700k, I need to get back to 1.5 million. I've got to send money back to Tom, Tony is going to want some, all these closes are getting postponed, and I've got nothing closing second half of the month.

8-11

I had a better day, I had two payoffs, my cash is back up to nearly 1 million. I have some confirmed dates on some more closing this week. I'm nearly through my stack of deals on my desk too. if I can get scott to pay down some of his overage, that would be good too

8-12

I had a surprise payoff from Barry for 200k, which was great. I wired 95k to Mike Busby on his deal. The difference between scott's buys and payoffs was only 27k. I had a few payments made. Adam had asked I speak to his friend that wants to invest 200k. I don't want to take any investors, but I need the money so that I can return it to Tom. I'll meet with him tomorrow.

8-13

Dollar in and out for scott were the same, 38k up. I met with a friend of Adam's he invested 100k. I had to send 100k to Tom. I had a bunch of payments made. I've got a few more payoff requests, so that's good. I need more money in.

8-14

I got in to one of my funks and thinking about densco and this mess with scott and I couldn't sleep all night. The balance on wholesale is going down 500k Monday, I'm sure it will be back up next week. we exchanged emails all day never talked. He's all stressed and telling me just give him 2 million more and he'll be able to make more money. But he's not paid me in months and eh says he's using the money to get collision center up, I don't know what to believe. I had one 30k close today, nothing else closed. I turned away a good deal that I would have loved to fund, but I can't. I did get a bunch of payments in but I need scott's stuff to sell.

8-17

The balance for wholesale went down by nearly 500k. but that doesn't mean much, it will go back up by weeks end I'm sure. I still haven't received any other payoffs, tom beating me up about getting more money out to him this week. I hope I get some damn payoffs this week.

8-18

In and outs were the same for Scott, but we did have an AFG close, one more down. He got a contract on one last night too. we are down to 6. We have another 5 that should close by end of month. But hardly anything in the queue behind it. I wired some money to Tom today. He was happy. I had a 200k deal close from John May. I should have another one tomorrow too. I prepped all of tomorrow's stuff for tomorrow because I'm going on a field trip. John May paid me a commission, fee, or what ever for those two properties I held cash for him then he pulled them before we closed. I wasn't sure he was going to do it.

8-19

Because I prepped everything last night, when I got back to my office, I wasn't behind. I got a surprise payoff and Bennet is supposed to pay off 200k of stuff, but I didn't see it, maybe tomorrow. I had a few payments, cash in and out was same for Scott basically. He called him, he said he's meeting with his accountant and going to call me back with a new plan.

8-20

I had the same in and outs, the wire that was supposed to come in didn't come in, for 88k, they lost the wire. Bennett never answered me, then I talked to Scott. He's 2 million short on getting these guys happy. I don't have it, he's got a week to make them happy. I'm not going to have 2 million coming in. I have 1 million coming in and I'm quite sure that's not all coming. We have a plan going forward but I don't know what we are going to do.

8-21

I have heart palpitations all day today because of stress. I measured my blood pressure and it was 158/110. I had three payoffs finally come in today. I wired Tom back another 100k. I'm down to 400k. I look at things all day long and thought on how to do this. It's mostly going to rely on Scott. I can't come up with more money, it's ridiculous. I even talked to the guys in UT about it. They never make decisions quickly. I'll email Scott later. I don't want to get on a marathon call with him.

8-24

I got a wire in on a deal I wasn't expecting until end of month. Scott sent me the list of props for today, three were utter BS. They had all been either sold at auction, short sale or something. I said, let's skip these, he said he talked with the guys and they said it's a screw up they didn't tell us not to take it to sale. Now he's going to battle with the attorney on it. I'm hoping that I get some more payoffs early this week and they don't all come on Friday and Monday. I'm going to take Belmont payoff as a loss.

8-25

One of Scott's old ones paid off. I adjusted my payoff to only get back what was there, and I deferred the rest so that I would have a write off. I've got enough profits for this year. I had a few payments too. I have to get us past this next week and getting caught up on these old ones he screwed us on and then we'll be in better shape. He's going to pay me 100k a week, instead of paying down the work out. I'm going to payoff of the remaining AFG's which there are only 6 of them. Within two months we will have no more 2<sup>nd</sup> on any loans. Then when they sell, he will get some cash back and that can go towards the work out. I'll defer the interest on the AFG's and that way I'll be first on everything and then start the work out, by the end of the year we'll be in much better shape.

8-26

Scott needed 300k more to pound down this extra deals. I gave him that, probably give him some more tomorrow. I have to keep some cash, I can't go to zero. His deals are getting pushed out, those are the ones I was hoping to fund his stuff on. He's not calling me, just emailing me. He's really unhappy, but I can't deal with the stress that he created!

8-27

One of Scott's retails closed, 340k in the door. I sent it back to him as a wholesale. I don't know how much more he need sto catch up. I don't care. He didn't use any of the suggestion I had, so he can deal with them. I'm fine though I'm really low on cash, I'm missing out on several good deals. But I'll have to continue until I can get my cash back up. I had a few payments today too. Even taking a 60k loss on that propertyof Scott's I'm going to be darn near 100k positive for the month.

8-28

I didn't get a single payoff and even the one I thought I was going to get didn't come in. the dollars in and out to scott were the same. I'm down to 800k, with 450k to put out Monday. I better get some payoffs coming in or it's going to be ugly. I've turned away 1 million in deals this week I could have done and another million next week.

8-31

All the payments went out and I funded a deal for shawn, so I was down to 350k or so. Then scott gave me a 100k. which I'm applying to Gary Dr., because that is the property he no longer owns because of a recinded sale to which he can't put his hands on the check, even though the people paid him rent the whole time they lived there! Jake paid me off on a property, but nothing else closed. I had a lot of payments. I made about 100k. I need to reduce my profits so I'm going to retroactively change the payments he made to the work out and payoff the remaining AFG laons. This will eliminate them completely. Raise my work out balance, but if he contines to pay me 100k a week and the other AFG loans pay off, they will have equity in them thus giving him more money to pay off the work out. The balance could go down further than it is now and have all the AFG's gone. He did email me that we need to come up with 600k more for these fucking wholesale loans. With him giving me 300k in the next three weeks, I have to come up with the other 300k. howeve,r it's the timeing, I've go so little closing I'm not sure I'll make it. plus I have a 800k payment for interest that's needed to be made at month's end. This is going to be pivtal month.

9-1

The bank requested a lunch with me, I feared it was something bad. It was just a glad handing thanks for business is there anymore I can do for you. I asked them for a credit hne against my retirement account, they agreed, so that will give me enough breathing room to do what I need to do this month. I also got in 100k more from Yusef so that helps. I'm going to have to send 100k to Tom he'll be bugging me soon. Plus I have to come up with 200k more to Scott this week. I

have some payoffs now coming in this week, not sure when though. I asked them for a 1.5 line against my 2 milion CD, they said yes, I'm ok now, I just need it to happen quickly

9-2

I've feeling great all day, I whipped out all the AFG's by reapplying the principle payments to the loans. It made the work out go up by 800k, but I rather be done with the AFG's. now as he sells them he'll have excess cash he can give to me and pay fhte workout off faster. Then at the at end of the day, the bank said, they don't think they can do it because it's a pension and I had to email the company. I didn't hear back. Tony asked for 200k out. Now I'm more stressed then ever. I seriously feel like I'm going to have a heart attack.

9-3

I called Scott. He brought in some short term money for 200k, so that gives me more time. I've got some deals closing next week, but I fear they will be too late in the week. I hate all this fucking pressure. Mean while I'm turning down deal after deal, good deals I would do in a heart beat. I'm pissed. But I have no other choice.

9-4

Super quiet day, I had no payoffs and a few payments. I have a ton of payoffs supposed to come in next week, I hope they do I'm going to need every last one of them. I keep turning down good loans, and it's pissing me off!

9-8

Another day, and no payoffs. I've got so many that are supposed to come in it's silly I need them to come in so that I'm not stressed. I had some payments. money in and out to scott was the same, he did wire me 100k. I paid off the rest of Gary Dr., so that's not lingering any more. It was rescinded, and sold out from under him, he didn't even own it. now all payments will be go the workout. I just need more money to come in so that I can return money to Tom and Tony and start actually funding some damn deals again. I turned down two more good ones today.

9-9

In and out and no payoffs. I had a few payments, I did renwals all afternoon. Next two days will be interesting.

9-10

I finally had my first payoff in nearly 2 weeks. I wired 100k to tom, just 200k more to him and then 150k more to Tony. I had 190k of payoffs cancel. I'm going to be cutting this super close! I talked to Scott for an hour tonight, he's wanting to start flipping home again using AFG money and making more money that way then just paying down principle ont eh workout. I don't doubt he can make money, but I'm not coinvince he's got the time in the day.

9-11

Money in money out, I've got no money left. I'm down to 278k. I can't fucking believe it. I've got a lot that's supposed to close next week. I had better start getting some money in or I'm in big big trouble.

9-14

I got on stupid payoff in for 50k. the other two didn't close. Scott sent me 100k, but the wholesale is up 80 from last week because of interest anyway. I'm not sure how this week is going to go. I need these damn things to close so I can get ahead of things.

9-15

I had one good payoff today, 187k plus a lot of payments. I'm a little better, then I get a fucking email from Bungei wanting to get back 300k! I swear to fucking god it doesn't stop!

9-16

No payoffs, I sent back 50k to tony, hopefully I'll get some in tomorrow and I can return some money to tom. I sent an email out to the investors saying if you wanted to return to compounding interest I would allow it. I only got a few responses and for small dollars, the three big ones didn't respond those were the ones I was hoping for.

9-17

I got a 100k payoff from a shitty borrower that I'll never lend to again, I'm so glad, I sent 100k to tom. Just 100k more to go. The other payoffs of scott's got pushed to next week. it's going to be such a stressful week next week! I hate this! Plus I had to send scott 200k more. I got a lot of emails from investors wanting to go back to accrue, so that's going to save me a lot of cash at the end of this month, maybe 50k or more.

9-18

I had a few more people revert back to accrue and two more offer to send me more money. I hope that it comes next week. I'm down to 400k. I turned away another good deal away, I won't keep track of how many and how much, because it pisses me off too much.

9-21

None of these fucking payoffs are coming in. I got one confirmation that one is closing on thursday. With the email I sent out to the investors, I got all but two of them to switch back to accrue. I was nervous to send it, but they all were glad! It saved me 250k. a few even wanted to add more money. If I can get some of it in, plus save 250k, this could be a 500k swing in my favor. If these fucking deals ever close! Scott wired me 100k. then with is buys and payoffs, he

needed back a 100k. he told me he screwed up the math. I was so damn pissed I almost blew my top

9-22

Scott wired me back oalmost to the dime 100k and change. I swear this is all manufactured I got no payoffs and more move out . I'm getting so worreed. I'm not going to be able to breath this weekend. I truned away aonther million dollars worth of golden deals today too. I just fucking hate this!

9-23

Still no fucking closings. More dates moving in to next week. I couldn't handle it any longer and moved 400k out of my money market account in to my densco account. I hope they don't hold the fucking check for a week. I just can't stand it any longer. I called scott told him how slim it was, he knows, two of the deals are his. I should have something close tomorrow and more Friday, but I've been hoping for that for a week.

9-24

I cant' believe it not a single close today. I even wired tom his last 100k, he's totally done now. He no longer has any money with me. I received 32k from scott on the in and out. If he wires me his 100k Monday, I'll have enough ot make end o fmonth interest and that's it. I have 1.9 million supposed to close next week.

9-28

I finally got a close in for 150k, plus scott's 100k, so now I have enough to cover my interest and I can fund a deal. I finished end of month, all but the statements. I hpe more money comes in soon so I can start funding deals.

9-29

I had no payoffs today, two scheduled, both pushed. I've got enough to cover my interest and fund one deal. I have had lots of payments, but this payoff thing is stupid now. 1.6 million should close this week. every day I get another stupid email about how it is getting pushed off another day.

9-30

I received one payoff for 57k. if I hadn't moved my interest from quarterly to accrue I would have been fucked, compleltey. I've still got 1.5 million supposed to close the rest of the week, we'll see what happens. I funded one deal today, second one of the month. I've got ½ dozen deals to fund next week. Barry called me wanting me to think about turning over the company to

him when I quit rather than closing it down. I told him I would consider it. it's still many years away and I have to get this scott thing behind me, a long ways behind me.

10-1

I had one close finally today for 187k, I know I have about 250k coming tomorrow, could be twice that. I am past my cash crunch now I just have to get in the payoffs and start doling them out to the right people and hopefully get in enough money to return the 400k to my cash account. i talked to Kirk, he lost his ass on the penny stock I warned him about, he now is going to invest back what he has with me which is only a few hundred k after having nearly 2 million with me.

10-2

I was able to send 100k to Bunger, then he requested 500k more! I cant' fucking believe this shit. I'm so glad they are committed to investing money with me! Mary Kent sent me 100k so I'll send another 100k to him next week. I had one 180k payoff come in so that helped. I still have another 250k that was supposed to close today. I hope they will come Monday. I've got 1.2 million supposed to close next week. same shit that was supposed to close 2 weeks ago!

10-5

The two deals I thought were to close Friday, should have closed today both got postponed until next week. then Tom called me wanting to clear out his kids trust accounts because the sale on his plane fell through. I told him it wouldn't be soon, I have 800k to send back to Bunger first. He wasn't happy, but that's not my problem. scott only wired me 50k, promised to send 150k next week. I had lots of payments but other wise, nothing much happened.

10-6

The Vermont house of Chant's is done. Medel spread the rock, but now the damn key is missing from the lockbox, never ending fun. I funded one deal for Jace/Mike, which he should have a payoff off on one soon and then pay me off on two others soon too. I found out two long loans are getting refi'ed this month. Riccardo my other problem loan is closing tomorrow, which is great. I don't have any deal to fund, but I'm building up cash to return to investors, which is just treading water.

10-7

I had three surprise payoffs Riccardo paid his loan off, I still got a bill for \$405 from the trustee, but I'm just glad it's gone. Chris hughes paid me off on two deals, I wasn't expecting. I paid back Bunger 200k. I've still got lots closing next two days, see if anything comes in or not.

10-8



Money in and out to Scott was the same as yesterday. I did get confirmation on Lili's payoff for next week, which is great, 250k. I also found out my last problem loan of 40k is getting paid off tomorrow. They didn't even have my lien listed on the title report, but I talked to escrow and got it straightened out. I should have another payoff or two tomorrow. Next week should be the break through week of payoffs.

10-9

It was a slow day, which is what I wanted, I received one payoff for 50k. I have so many that are due. I was able to get everything done so I could leave.

10-12

I had a ½ dozen payoff requests over the weekend. I know have about 2.6 million supposed to close by month end. Which is great, because I need it all to return money to people and start funding this business. I talked to Scott, his wife, drained 1.7 million from his bank account and left him. Now we are fucked again. I don't even know what we are going to do. I'm so sick of this shit, we go from one crisis to another, I can't fucking believe this. Just when things finally are going right, now this! It was a holiday so all I did was send payoff requests and nothing else.

10-13

Scott didn't get the money back from his wife, he went to NY to try to retrieve it. he was to wire me 200k today! I did get a few payoffs I was expecting, I sent Burger back some money and committed to a deal later this week. I should have some more payoffs coming in too. I have 1.3 million in my account, boy that feels good.

10-14

I had a bunch more payoffs today, my cash is up to 1.6 million god this feels good, if Scott can straighten out his shit, I'll have 200k more plus I've got more payoffs coming the rest of the week. he's supposed to get this Las Vegas guy to take some of the wholesale too, which would lower my exposure to him too. he's in NY trying to get the money out of her.

10-15

I had no payoffs today, but I did fund a deal! Feels good to be able to do that. I've got another one to do tomorrow. Scott wasn't successful and so I have no idea what we are going to do. Right literally the night before we are going to turn the corner, pay down more line, payoff a house everything going in the right direction, this bullshit happens. Now he's got a hearing with a judge on Monday. Who knows how that will go!

10-16

I had one payoff, and funded one, scott's in and outs were smiliar. I talked him, he's back, made no headway with her. He's got a hearing on Monday. I have no idea how that will go. He better get his shit straight soon.

10-19

I had one small payoff and a payment, ins and outs were wrong about 35k plus interest, we better have it right this week. soctt spent all day at the court dealing with his bullshit wife. The judge said the money had to be put in an escrow account for 30 days. Which gets us no where. I can't fucking believe this.

10-20

Scott says now he's meeting with his wife on Friday and hopefully going to figure it out. I'm loosing my faith in this, if it goes to lawyers and judges it will never get resolved. I had two payoffs, one of them scott's old deals. I took a 4k loss on it and no interest because he's got no money to close it. I've got another one to close tomorrow, same thing. I had another close and I was able to return money to Bunker today. I funded a deal too I have another one to fund tomorrow too.

10-21

I recieved in another payoff from scott's old ones, 290k worth. We only have 10 proprerties left and two of them are in escrow. He just needs to figure out this nightmare with his wife so he can pay me down som e money! I funded a deal for JBM. I've got a million out to him now I hope they start paying me back, they are wholesale, they seem to last a longer time.

10-22

I turned down a 500k deal even though I've got 1.6 in the bank. I'm not sure all these deals are going to close next week and I don't want to go down below a million in my account. The day was quiet, ins and outs were similar. Not many calls.

10-23

I had no payoffs and only one payment. In and outs were 3k difference and huge. Though I'm down ofcourse the interest. Scott is meeting with wife tonight or tomorrow I just pray he gets the money back from her so he can start paying down the dman line again and we can operate properly. I went ot lunch with Doriann. She wants to invest 50k or so. I said yes. I returned 100k to tom today. I've got 200k more to go to he and steve and then I'm done, until tom wants the next 200k from his other kids fund.

10-26

I decided to wire the last 100k to each tom and steve, just because I wanted it off my list. I still have 1.3 million in my account. I have two more deals supposed to close on Friday I don't think

all of them will, but I'm sure some of them will. I've got one deal on my desk, so I'm fine. they would have been excepting it this week anyways. I did end of month this weekend. All I have to do are the statements. I'll do them Thursday night. Scot talked to his wife this weekend, no break, but says she's getting close. I don't know if I have any faith in this whole thing at all.

10-27

I had no payoffs and only one payment. It looks like I've got a few payoffs for Friday committed, it should be interesting. I've been recruiting buorrowers to come ot my MOM's meeting, because we have so few people showing up! I have damn near as many investors as borrowers coming!

10-28

Ins and outs were the roughly the same. Unlike yesterday where it was in my favor 100k. which in nearly 2 years had never happened. I sent aonther payoff ro 300k for Friday. Now the five deals I thought would close Friday aren't going to. It will be an interesting firday.

10-29

I got one payoff today, I should have a few tomorrow I was thinking gosh I'm not getting any calls for deals. Then Victor bought one, Chris, and Judith. Then Eric called wanting 750k. poof all my cash is gone. I hope now that Villaverde's properties close.

10-30

I had a few payments and one payoff. I shoul hdave two, but they missed the cut off time. I funded two deals, one for Victor and one for Judith. I've got another two to fund Monday, so I need the money back in. I had my mom's meeting. We had our biggest turn out of the year. Mainly because I added several people because I had a few investors coming and I didn't want it to look empty. One guy was beating me up on how much I was lending out who has all the money etc. one of my investors called nad said her husband died earlier this month. Herb Cohen was his name. I really liked him. She was emotional and I made her laugh a bit and made her cry a bit. She'll have a rough go of it for a while. Scott's deal didn't close, I fear it's going to cxl. He's still struggling to get the money out of his wife and he's getting people upset at him because he's short cash.

11-2

I never turned on my computer the whole weekend. I had two payoffs and which was great, I funded two deals and then I had a strange call from Jemma Kopel. She tells me he's got pancreatic cancer and she wants her money back, then in a trust, then her interest. Then she cries and puts Roy on the phone. He thinks it's best if I just send them their money back. After two more phone calls and I mail them a check I told Dave to call them. Scott thikns he's neogitated with his wife to give back 1.3 million if she does that we'l be able to right the ship. But now it's not until Friday she has to talk to her lawyer. Just utter bullshit.

11-3

Ins and outs were off by a long ways, says it will go the other direction tomorrow. I really hate this. I gave 200k to Eric Weinbrenner, Roger paid me off on two of his since he had idle cash. I had some payments made yesterday I didn't know about until today I've got a lot of payoffs coming that go moved to Friday now I hate refi's they never come on time. I've got a few deals to fund and i have amillion in the bnak, I would like to get two million but it's got to come from scott, not from my current guys paying me off. he's got three properties now under contract and maybe a fourth. All supposed to close this month.

11-4

I spent last night doing the reconciliation. Between scott and I we were off just a few 100, so I wired him the amount this morning. October is done. Now we have to wait for Friday to see if his wife's attorney will agree. I received in another 87k payoff that was 2 weeks late. Eric needed another 150k for tomorrow. Shawn had 250k worth of payoffs for Friday. Villaverde's refi's are supposed to close Friday too, but that's what they said for 10 days. I had a few payments nad DoriAnn sent me 50k more for investment.

11-5

I funded one deal for Cyler and I have two more to do next week. I have 1.5 million supposed to close tomorrow We'll see if it actually happens. I won't mind if it does, I can redistribute the cash. I'm just hoping tomorrow is a godo day for scott and his wife!

11-6

I funded one deal today. I had 8 deals supposed to close, only two closed. I have another 7 or 8 to close Monday now. I'm supposed to hear from scott to see if his wife is going to give back to him the money she took. It's 5 and I've not heard.

11-9

I talked to scott he got no where with his wife. We are going to have to wait until the 23<sup>rd</sup> now he won't be selling his house either He's meeting with this vegas guy Wednesday. I hope to hell he takes some over flow to catch thissshit up and get some mfunds back to me I onlyhad one 33k payoff. The other five never came. Tom wants the last of his 200k from his kids trust fund too. at least this is the last of the money he has with me.

11-10

Today was payoff day! I had 10 deals payoff today besides scott's 10 deals. Now I have hardly anything closing this month! Scott has another one his deals sold, close in two weeks, for a loss. But it's one less house! I had a gal call me that wanted 200k against her house down here that's

worth 500k, I decided to take that one on. Eric wants more money too. but I'm going to be slow with him on that. I've got to spread my money around.

11-11

I worked ½ the day, since the bakns weren't opoen it was pretty darn quiet. I just did all the renewals.

11-12

Again a quiet day. other than scott's insurance agent calling me telling me they are about to cxl all his policies because of nonpayment. Scott's wife, brought him the baby and said she can't handle it and left. I have no idea what's going on. I've got some payoffs coming tormorrw. I'm turning down deals so that I can build cash. Tony Burdett emailed me asking how many loans, dollars and ave laon term I had. I don't know why he asked.

11-13

I funded one deal, the same deal, different borrower to get back a payoff. Victor sold a house to John May. I lined up a deal for a guy to buy one of scott's houses next week too. scott moved his meeting from today to next week. his wife hasn't reappeared and now he's got the baby. I hope she doesn't disappear with the money!

11-16

Scott had his meeting today, now the fucking day is December 19<sup>th</sup>! This will never fucking end! His wife is really lost it, he can't have a conversation with her, he's going to commit her tomorrow. I can't believe thisis what is happening. We need that 1.7 million back and his wife is iin the looney bin.

11-17

I funded one deal for Victor, turned in to a circus. I emailed the bank at 5 am to get the check ready. At noon when I was driving to the bank from Ty's field trip, she tried printing the checks and her printer wasn't working. If she would have done it in the morning she would have known and I wouldn't have had to drive out the mesa to another branch. Victor came by and signed later at the house. Scott got his wife some medicine and to stay at her parents house. Hopefully she comes back to this world soon! At least she has her medication.

11-18

I had nothing coming and going besides Scott's stuff. I've got several deals closing and funding so it looks like it will be a busy Friday at this pace. Adam requested the withdrawl of his 480k which turns my cash flow upside down again. just when for the first time I've got some wiggle room.

11-19

It was a quiet morning after I got back from school, then right before I left for the cpa's. victor is texting me asking when he can pick up checks! The last time we spoke yesterday he said he would call me by 6pm if he needed money, I never heard from him. He admitted he fucked up. I printed docs, the printer was out of ink. I put in new cartdrige and it printed black! I called the bank near my house, their printer wasn't working. I had to go to mesa to get the checks. I emailed the docs to dave's office to print for me. I picked up the checks. I went to dave's office. He told me my tax bill would be 500k. I said no freaking way! so I told dave I'm going to make it less than that. I'm not sure how but there is no way I'm going to pay that much in tax. Victor didn't come by the office. i came back to the house and he got here late. I'm still trying to catch up at 9 pm.

11-20

I get another fucking email from Bunger wanting 200k more out! I swear to fucking god. I sent tom his last 100k. he won't be bothering me anymore. I just can't get my cash built up before the fuckers start taking it back from me! I funded one deal, sweet deal, 200k on a 500k house. I didn't get any payoffs in and I need them badly now! Scott's daddy is in town, he might give him some money to help him out. His crazy wife is at her mom's house taking her medication, hoping she comes to her damn senses! They have a hearing Monday, I have no hope in that

11-23

It was a disappointing day, of course scott's wife's attorney postpones the hearing because of her mental state. We are never getting this fucking money back. The ins and outs to scott are so one sided my way this month, I swear he's fucked up. He owes me nearly 400k. I get yet another withdrawl request from another investor. But yet, I received 75k from one I've never talked to, the dentist from Colorado. It's only 75k.

11-24

I had a surprise call from Eric, he paid me off \$500k so I was able to send Nishel is 480k. I am so glad. I heard nothing from scott. Of course, scott reversed the dollars today. I think he figured it out and trying to get it so I owe him by Monday.

11-25

I had three payoffs today, two of shawn's and one of John May's. I've got 1.7 million in the bank. 200k goes out for interest and I have about 400k on the desk to fund. I have not one closing planned after 12/2. Scott's in and outs went the wrong way by 50k. not sure how things are going to go for December. Landon said he was going to invest 100 to 200k with my Monday, I'm not sure why.

11-30

I funded two other deals besides Scott's. all the ACH's went out fine along with statements. I had one payoff come in. Landon and Barry invested 200k. I'm glad for it. I need it! I had a few payments, but I keep the checks I'm not depositing it. scott took his wife to rehab or something in CA. so far no money. I can't believe I didn't tell him to move the money when he told me what happened.

12-1

I get another payoff in and so I feel good about sending Bunker yet another 100k. he emails me back saying great, send me more, so \$300k total! I can't fucking believe this asshole! He tells me 2 months ago after returning a million to him, that's it. I funded a deal for Victor he says he's got three that might payoff soon including this one. I hear nothing from scott. I'm fucking dieing over here and not sure I'll make it at the end of the month.

12-2

Nothing happened of significance, the ins and outs were in my favor a big way with scott. He screwed up the payoffs and missed a bunch so he's going to have to figure that out. I gave him statements for 50 properties. I've got a few payoff requests for this month, which is going to help. I talked to siggy. He's going to send me 50k more too.

12-3

Same as yesterday, I received in some payments too. I met with Dave. He didn't like that I was holding on to so many checks. He's unsure on my strategy for modifying the interest income number, but I know it's fine, it doesn't hit my bank account and the borrower and I agree to change the payments to principle. There is nothing wrong with that. I had some more payoff requests for this month too.

12-4

I had a late payoff come in for 200k. I had already sent bunker back 100k, I'll send the rest on Monday. Hopefully I don't hear from him again! the ins/outs to scott are compeleyet out of wack. He owes me nearly 800k. I'm not sure what he's going to do. I've got some deals lined up to fund on Monday. I've got some deals coming back next week. I don't have a lot of faith in them though.

12-7

Scott over the weekend said he's going to isreal, a cousin was killed. I hate when he leaves. I had a bunch of payments made and I funded two deals. I've got a few that should payoff this week, but I never know. I returned another 100k to Bunker today. I'm done with his requests we'll see if he hits me up for more!

12-8

Nothing happened today, the only call I got all day was from Dave trying to figure out my taxes. The ins/outs went the wrong way today, but I hope they were reverse tomorrow. I've not heard from Scott so I'm not sure what he's doing.

12-9

Scott said he'd be home tomorrow night. Then to deal with his wife. Hopefully she has found some sanity and we get the money back! I had a no big deal day. was to fund one deal for Jace, but he never got me the info the ins/outs went wrong way for the 2<sup>nd</sup> day in a row.

12-10

I had a few more payoff requests come, which is great, makes my cash position much better if they close. Victor wanted a 500k for a commercial building. I have to limit my funds to him because he seems to be getting a little over extended and behind on his fix ups. I talked to Dave about taxes, I'm going to have to do some things to make it all work, still going to pay 250k in taxes!

12-11

It was a super quiet day. the ins/outs were within \$1000 of each other. I had three payoffs come in from Justin for 380k. I've got another 500k planned for Monday and Tuesday. I'll be in a fine cash position I think for the end of the year.

12-14

I got an email from Scott at 5 am. He's back. He spent time with his wife, he thinks she's coming around. His car lot has 15 cars on it. he's barely hanging on. I got a payoff for 270k that I didn't know was coming 5 days ago. That helped a lot. Scott had one of his deals close. I took a 30k loss on it but it's closed, I get the money tomorrow. I should have another close later this week of his too.

12-15

I got a payoff on one of Scott's deals first thing this morning. one more gone. I took a 30k loss on it but it's gone. I've got a deal lined up to fund Victor's. I should have another payoff today, maybe it will come tomorrow. I've got a few closing this week.

12-16

A quiet day, ins/outs my favor a hair. I gave Minh and Shawn some money. I had no payoffs and I've not got the mail yet to see if any payments have come in. I did almost all the renewals for this month.

12-17



Nothing happened, other than ins and outs! Lots of emails on millers screwed up deal. I did the reneals all morning and Scott's payoffs through 1/8

12-18

I think I had one phone call and one email all day. Christmas is paying me off on his loan, but needs 2x that back next week. I received some payments from Victor too.

12-21

Ins' and outs were slightly in his favor. He's trying to reconcile and now he realizes he owes me over 800k. I'm sure it will switch soon. I had some payments in from victor. Otherwise very quiet day. I did fund one deal for victor. I have another I think for tomorrow. Never know this week.

12-22

Not a single call and maybe three emails. I picked up another deal I think I'll do. The other ones on my desk never materialized so I have a few extra dollars. I still have a few closing too. once I told scott the numbers were in my favor by 600k, the dollars went 150k the other way today, plus interest so more like 175k.

12-23

Miller's deal finally closed today. Or at least I funded it. the ins/outs when his way 161k plus interest. He's trying to make it even I guess by year end. I had a few payments and one of Scott's old ones paid off today. Looks like we have another one closing next week. I was busier than I thought with calls and emails today. Tomorrow should be dead! I have all my tax information so I'll do that tomorrow.

12-24

I even had a payoff today! I didn't have anything for scott so the day was over by 10am.

12-28

I funded a deal for Christmas, ins and outs went to my favor. I had few payments. I spent most of the day doing more end of month. Taxes payments, paychecks, withholding etc. dave gave me shitty instructions, I talked to Hatue 10 days times to get it all straight. I've doing a deal for Victor he promises I will have the money back by Monday

12-29

I talked to scott. He didn't get the money from her, but he's negotiating. God I hope it's soon. I funded a deal for victor and chris. I should get victor's money back Monday. Chris said in a few weeks. I have so little closing next month it's scary

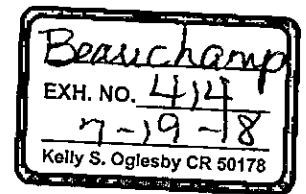
12-30

I didn't have a single phone call, nor was I expecting any. I had a 40k payoff from Shawn. The 250k one from Scott is delayed until tomorrow. I had a payment too. I worked until after midnight typing docs for scott tomorrow. All I have to do is send the statements tonight.

12-31

Just my luck. I'm up here in ID and scott sends me a 9 deal day. I typed for an hour this morning. I had one paymet and I had one of scott's deals payoff off, 250k deal. We didn't make nearly as much headway this last 3 months as we hoped. I only have a hand full of loans with him. But not paying me any money for 3 months is killing us. I hope next year we make massive damage to that a/r.

# **Exhibit No. 138**



Investors:

I owe you an explanation as well as a lot of money. This is going to get blown up and the truth will be hard to find. This is what happened. Please don't contact or create notification that would reach my x-wife. She needs to get my boys off to school. You have had all give me unwavering support of confidence; I accepted that confidence with pride, appreciation and humility, knowing I could perform to your expectations. I started the business in 2001. Not a great year to start one. I learned the business and it grew and grew. It was working perfectly until 2008. We had the great recession and phoenix was the epicenter of the housing crash. I was always impressed and surprised that nearly everyone stuck with me through it. I didn't come out of it unscathed, but I survived it which is more than I can say for many other lenders. I took millions of dollars in losses over a few years. I remained profitable every year. I was able to talk to a few of you to help me make decisions on what I should do. Should I sell these house I was getting back and take huge losses or keep them, rent them hope the market comes back? Gladly after consultations from several of you, you agreed with my strategy, it was smarter to rent them at cash flow neutral my interest costs and wait it out. I ended up with a 12 plex and 15-20 homes at one point. Slowly over the years, 2011, 2012, 2013, I sold them. Instead of selling them for 80% loss (which would have been worst case at the point I took some of them back), sometimes as little as 10% on loss of principle at the time of sale in 11-13'. Again because the rest of the business was thriving, the capital I had in the business, these losses had no impact on your interest earnings and even though it severely dented my profitability, but I was profitable every year. For over a dozen years, I ran this business as good as you could. Everything reconciled to the penny, the business was extremely profitable, sometimes annoyingly so. In 2012 I was saying that I would quit accepting money soon and figured the portfolio would start shrinking. Going in to 2013 I was starting to get larger idle cash positions on a regular basis. Scott Menaged, (480-261-7385, 10510.E Sunnyside Dr., PV, 85259), a long time borrower he was probably one of my largest borrowers by dollars over the years. He was also ran a bidding company and sent me many borrowers over the years. He at the time had a few million of loans with me on his rentals and was still doing flips on a regular basis. Scott contacted me and asked if would be interested in funding a bank of rentals to which a hedge fund friend of his out of New York would buy once it reached 7-10 million. He would put down 15-20%, fix them up and rent them and then when he acquired the total dollar amount he would sell out to this guy. That amount of money would take me over my 10-15% threshold to any one borrower. Again I talked to a few of you investors and got a positive response, based on his track record, the down payments etc, the comfort level was there. I agreed. He would buy anywhere between one and three properties a week at auction. Now when I have someone buy at auction, funds have to produce the next day in a cashier's check to the trustee. A majority of the time my repeat borrowers are buying through bidding companies that I have relationships with. For efficiency sake, I would normally wire the funds I'm lending to, the bidding company they would get the check and give it to the trustee. Send me receipts. Sometimes I would even wire the full amount and my borrower would bring me their down payment check and bidding fee because they lived here in the East valley versus running across town. I've operated this way ever since I was given the ability to wire on line in 2003. Many of you knew this and I told you this is how I operated. Some of you that were also borrowers and

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investors have experienced this way of doing business and know it's common. As Scott was buying these properties he would email me the info on the address the buy price and what he wanted to borrow, net of his down payment. I would do my due diligence and would wire the funds. He would sign all my docs and then I would record the Mortgage receipt and then once I saw the trustee's deed was recorded, which sometimes took a few weeks, I would then record my deed of trust. This was to cloud title until the trustee's deed was recorded. Some lenders record a Deed of Trust the day the property is paid for and re-record the Deed of Trust. Again this is the way the auction process works. It's the way I have operated from the beginning and many have copied my process. I've spoken with attorneys, title officers and trustees and it's been agreed upon that it's a good process. I felt comfortable lending him more money, I was keeping money at work and I had started to discuss with many of you telling you that by the end of the year I would probably start returning some of my larger investors some of their money. Everyone I spoke to was willing to accept some money back. I had also stated that I might force everyone to take their interest that way it would eat up my build up in cash that I was forecasting to have once this portfolio paid off at the end of the year. Mid way through the year, Scott contacted me asking if we could raise the bar even higher. He already had a few million of his own rentals and was still doing a few flips. Now he wanted to add to the hedge fund portfolio. I was concerned because of the concentration with him; the portfolio was around \$50 million. It was only going to be for a few more months and he had been spotless with payments of interest and I checked all the values of the properties, visited some of them, everything seemed to be in order. I agreed to the increase. We talked again in the fall and he was telling me I would be cashed out of these by year end. I again spoke with a few of you saying that I might be returning some funds. The plan was all working out fine; the rest of the business was doing fantastic and I wasn't concerned. Then in November something came up that made it look like I was in second position one of the properties I had a loan with Scott. I called him; he didn't know anything about it and said he would get back to me. The day before thanksgiving he came to my office and explained that his wife had come down with cancer and he was dealing with her most of the year and wasn't watching his business as closely as he normally does. He had turned over the day to day operations to his cousin that had been working with him for awhile. His cousin took advantage of the relationship that we had and he would request funds from other lenders on properties and Scott not knowing this would then request funds from me for the same property. Because I wired directly to him he would receive the funds, his cousin would have the other lenders pay for the property to the trustee. I believed I was in first position when in fact I was in second, not all the time but majority of the time based on recording first. Where all this extra money went is a great question. I know a lot of it was spent on fixing up the homes and down payments. The cousin lost some in Vegas, he sent some out of the country, surely spent it. I never got an accounting of it all. His cousin left the country. Scott contacted the other borrowers involved and the plan was to suspend interest and start selling the properties and work through the issues. Scott was going to sell other assets and bring in more money to help right the upside down position we were in. his hedge fund friend had no interest in getting the middle of this, so Scott had to sell each property individually. It's extremely difficult to do this with a tenant was in place. The goal was to get full or close to retail price which would maximize the money out of the property. We couldn't just kick out all these people because of the lease agreements. Once the properties became vacant

or they were a day late, evictions were started and then rehab and sell the property. A typical situation would be, he bought it for 84k, it was worth 110k, and I would lend 70k. The problem was another lender would lend the same amount. The total debt on the property is 140k now the value of the property is 120k. Now the issue on who's in first isn't simple as the recording, time stamp of our docs. When I went through the whole portfolio I was in second by recording in a majority of them. The other lenders took the stance that they had actually issued and check directly to the trustee and it didn't matter when the recording was done. They too were doing double recording at the time they paid and when the trustee's deed was recorded. You would have four recordings on one property with two different lenders. Do you go by the first recording when it was paid for, or do you go by who was first after the trustee's deed was recorded, or is it who paid the trustee? I bounced this off several title agents and I got several difference answers. When asked directly about this whole issue Greg from AFG said he didn't know it was going on the whole year. Scott believes he was in on it with the cousin. But we had no proof. The other lenders involved as far as I know had no knowledge of what the cousin was doing. Now the first thing is how do we figure out who is in first, I know the rules, but when you have two docs and one check to a trustee, it's in dispute. In January, a group of five of the other lenders met me in my office. They had loans on about 60 of the houses. They said unless they were paid off in full, they would take this to court. They had a different set of investors behind them and they were willing to fight this in court even if it took a year. They were confident in their position. I couldn't afford to have that many loans and dollars be in suspense for who knows how long, 6 months a year? We all get lawyers and it would take forever to get a ruling. Yes, by this time I'm talking with my lawyer David Beauchamp 480-684-1100. He's aware of all that I know. He agreed it would be the worst situation to sue each other and try to figure it out. With some negotiating with the other lenders, they agreed not to sue if their positions were paid off despite if houses were sold. Scott and I put a plan in place to which I would start paying off their debts as my cash flow allowed and have lien in first position, all done through title one after another. Even though I would be upside down in loan to value. My position was I rather have 140k lien on a house worth 120k, than 70k in second position. Greg in AFG said as long as he received his interest from Scott he wouldn't do anything and allow for the houses to be sold off as they became vacant. Scott and I worked for months on an agreement that was pounded out between our lawyers. It was a work out agreement with outline of what we were doing and how it was to happen. Why I didn't let all of you know what was going on at any point? It was pure fear. I had seen what one of my investors had done to a bidding company when they had a deal gone wrong. I have 100 investors, I had no idea what everyone would do or want to do or how many would just sue, justifiably. I also feared that there would be a classic run on the bank. Even though I had done nothing wrong. Everyone would be scared and start requesting their money back, I wouldn't be able to meet redemptions and then I would be in violation of my covenants and then I couldn't pay off the loans of the other lenders and they would sue, my investors would sue and the whole thing would implode. I truly believe we had a plan that would allow me to continue to operate, my investor would receive their interest and redemptions as a normal course of business, and the rest of my portfolio was performing. Dave blessed this course of action. We signed this workout agreement and began executing it. It took several months to get all the loans paid off by the disgruntle lenders group. We were also starting to sell the houses at a pretty good clip. In April the last of the disgruntled lenders deals

were paid off. Now we just had the AFG properties that I was in second position. Every time we sold a property there was a shortfall owed to me. Instead of taking this as a loss, I booked it as an A/R and Scott was paying down on it and reducing the A/R. It was of course going up faster than he was able to pay it down. Going back to December of 2013, when we were still trying to work all this that I just explained, Scott knew he had to make money to help cover the deficit to which would be created by the double encumbered properties and shortage that would be created at the time of disposition. He wanted time to still fund him buying properties at the auction and flipping them, wholesaling them etc. I talked to Dave about this January and he was in agreement with it as long as I received copies of checks and receipts showing that I was the one paying the trustee. I have copies of these in scan files. Robert has access to all of this. We agreed to the operation and allowed him to still buy things. He was buying again one to three a week; he would pay me back with interest on these most times within 10 -15 days, sometimes longer. He would wholesale it to one of his investors, put it on his website or sell it directly retail. Once again, I would do my recordings. However, he would nearly always sell it before the trustee's deed was getting recorded, so I was getting paid back before I ever recorded the deed of trust. A few of them he would keep and flip, but an overwhelming majority of these were wholesaled. Now I know that you would think, why the hell would I lend more money to guy that just put me in this situation? Scott came to me and said he was going to do everything he could to make this right. He could have at anytime just throw up his hands and walked away, filed BK and left me with a massive mess. He didn't. He helped negotiate with the other lenders. He sat with his attorney and mine and signed a very one sided agreement in my favor to work this out. I had UCC's on his furniture business and a life insurance policy. In fact his attorney advised him not to sign it. No one else was going to lend him money and I needed him to make money so that I could be paid back. Because of what and how we were operating, Dave blessed it, I felt comfortable and everything he said he was going to do, he was doing. We got the disgruntled lenders taken care of, he signed the workout agreement, and was selling the homes, he was making payments to me and sometimes when a close happened he would wire in the money to cover the difference when he was able to do it. We were making headway on the whole problem slowly but surely. Now in to the middle of year, the amount of money he was borrowing for wholesaling was rising. He would buy more than he was paying off. I would get calls asking me why I had a recording on a property that didn't go to auction. I would check with Scott and he said it was rescinded sale. This happens on a fairly regular basis. I started to check on other properties that I had been paid off and found things weren't adding up. I confronted Scott. Besides buying at auction, he admitted that he had an agreement with Auction.com to send in offers on properties that were postponed, cxled etc and try to get the trustee's to agree on the short sale and give him the property. Auction.com would take the property and sell it and give Scott a cut on it. This whole agreement bothered me and wasn't sure it was right. Over time I was getting more and more uncomfortable with this arrangement and kept asking more questions. I told him that I wasn't comfortable with this arrangement, and I wanted it stopped and he need to return the funds to me and I would no longer fund any more deals. He said Auction.com was threatening if I cut him off they wouldn't return the checks to him that he had sent and I would be stuck with no money coming back in to me. We are now in the late 2014. I was adamant that I wanted to stop this transaction. I wasn't sure what the truth was as far as arrangement how or who was getting paid etc. they were using

late  
2014

leverage against him saying he had an agreement with them and he had no way of complaining to anyone. His position was, they were putting pressure on him to continue, they both were making money, and I was getting paid down. If I stopped he had no viable way to pay down the debt that had accrued from selling all the double encumbered properties and he would just file BK and I would be back to the same situation as I was before with a huge problem, no way to solve it, poised to go to the investors, the redemptions would come in and down spiral would occur. Now compounded with the knowledge that all along I had been an unwittingly accomplice in some kind of fraud in my estimation. I felt like I was between a rock and hard place, with no out. In December I said no more. We have to stop this. I can put the money back to work with other borrowers, return it to my investors whatever was best. I would run the business profitably for years, making the up the deficit by the profits of the company and eliminate the negative capital position I was in. In January we agreed to a plan through the first quarter and scale down by 2<sup>nd</sup> quarter by him finding someone to replace Land auction.com had a guy out of Las Vegas that would do the same Scott was doing. I agreed because he was still paying me the interest and principle, we were selling the homes off we were down to the last 30-40 homes that were double encumbered and now that all the leases, some were two years were now coming to an end, that by June all the 2<sup>nd</sup> positions loans would be paid off. Typing this and looking back at it, it sounds insane and stupid, I'll admit it. The business was still operating, I was profitable, this huge issue of second positions was almost gone and we had a plan to end this wholesale program and I would be able to do continue running the business profitably and slowly regain a positive capital position. Scott also decided to start a used car lot in 2015 to help make more money and pay down the outstanding debt. He opened it Easter Sunday. It started slow and grew and became profitable and doing really well by the fall. I had no affiliation with this at all. In the summer, he had surgery; he put his wife on his bank accounts allow her to get cashier's checks and other transactions to help operate his many business when he was home recovering. He also owns Furniture King. Scott by this time had a plan and agreement with auction.com to allow this guy from Las Vegas start taking over for him by fall. The balance hadn't gone up and I was looking forward to being done with this. In mid October his wife, whom I learned was bi-polar, decided to divorce Scott. She went to the bank and cleared out all the money out of all his accounts personal and business. This destroyed his used car business because he was unable to operate without the capital and his flooring companies cut off his credit, he had to sell the cars at auction for losses and close the place by the end of the year. With the divorce going through its phases of discovery and motions etc., this put a stop to all the transactions that he could do through his entities and bank accounts. The way we were operating had to stop. He couldn't send me money and I couldn't send him money. His wife was acting irrational and ended up in a mental health hospital at one point. The problem that his caused put a huge strain on auction.com relationship with Scott and the plans to end the relationship and return the money were all put on hold. Now the money going back and forth one daily basis was sometimes over a million to 1.5 a day. The bank didn't like this back in the spring, so instead we would wire the difference to each other and just do the reconciling. If he purchased (at this point they were all offers to purchase) a million worth of properties for 6 different addresses, he would pay me off on 1.05 million. So he would wire me 50k. Some days I would wire him some days he would wire me. In October we had to stop this because of the divorce and instead we would just do reconciliation each day of who owed who

Dec  
2014

2015

Summer  
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Oct  
2015



how much. All the second positions houses have been sold by now. I just had a handful of loans with him which was all first position left over from his original group of loans he had me. The real issue was his inability to pay down the debt he owed me for the loss I had taken on the 2<sup>nd</sup> position houses and this wholesale deal was supposed to come to an end. Here we are at the end of the year and the divorce issues brought it all to a stop. Coming in to 2016, he finally got the divorce canceled and then she filed again. Then several months later is canceled again. His landlord from the car company was suing him. At one point in February under all the stress he decided he would file BK thinking he could get a filing number, which would put him in a bargaining position with his landlord and fighting the divorce. This of course was the stupidest thing for him to do. He didn't realize the laws and procedures in doing this. I didn't find out about it until May when I was contacted by a trustee asking for a payoff amount for a home. He then explained it to me what his thinking was and why he did it. By now auction.com had enough of this nightmare. By June it all stopped. However because of the BK they won't return the money to Scott or me that is owed. Scott's wife at point had gone in to their office and threatened to bring in her lawyers because she saw all the ins/outs in the bank accounts and wanted to know if he was hiding money from her. Auction.com said they wouldn't return the money to me until she signed an agreement with them and then Scott and I had to sign something between us, I've never seen this agreement. I'm not even sure what they would say or the intent of them would be. I never had contact with auction.com; they wanted to pretend I wasn't even involved. When that's all done they would return the money to him then to me or just to me. The whole BK filing stopped anything from happening. Here I am in July. I've got a small lending base the rest of the money is on the A/R that he owes me and 28.1 million plus interest (500k) sitting at auction.com. Plus 3 million in the reconciliation part that they owed me when they were paying me off on more than they were borrowing each day. There were profits made on these transactions. Scott and auction.com were splitting the profits, not sure how or where the funds came and went to, his portion he used to pay down on the workout agreement. However, none has been paid to me since October. The amount is insignificant in the big picture because I believe they were ill-gotten gains. Plus the 1.7 mil Scott's wife took out of his account. You can see that the 14 million (that's principle and interest from the 2<sup>nd</sup>'s positions workout agreement) owed to DenSco by Scott would be about 9 million. I could make another 2 million this year. The net difference is getting smaller and it would be attainable to make all the investors whole at that point in another couple of years of business. That's why I kept working towards doing what I was doing. Scott is now knee deep into his BK procedure and you can imagine when they are looking at all of this they are having issue with it and my fear and belief is that it's criminal and auction.com has propagated a fraud, Scott was someone knowledgeable or conspiring in it, and because I was the money behind it I'm guilty by association. Now typing this it sounds like some obscene twilight show. It's embarrassing and humiliating reading this thinking how could I have made such wrong decisions got wrapped up in to this. But the only answer I can tell you is, in the beginning I was defrauded by Scott's cousin, I didn't realize what Scott was doing with auction.com. From all aspects it was legit, I get copies of checks, receipts, I would be paid back, etc. and I believed it was the best way to return your money to you. That was always my goal. I know I accepted some funds from some of you over the last three years. I believed that I was going to get this all fixed. I returned many more millions to some of you and turn down even more millions from others. I wasn't trying to

late  
2015

2016

Feb  
2016  
Scott - BK

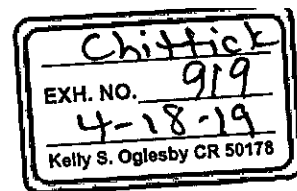
July  
2016

No pay  
since  
Oct 2015

keep myself afloat by taking more money and investors and making things worse. I put all non-retirement personal available funds in to DenSco over the last few years trying to help solve this. I was doing everything I could and believed to fix this issue. No I wasn't forthright to you. I had convinced myself no matter what relationship I had with anyone of you individually, I couldn't go to just one or two of you without telling all of you and at no point throughout this nightmare did I believe that you would be accepting and trusting to allow me to notify you and would still trust me, assist me on how to work through this without starting massive withdrawals and lawsuits. That would be the natural reaction for a few, some or most of you? I didn't know. The loss that would have happened day one when I was first made aware of the fraud, might be smaller than today. However, with all the lawsuits and lawyers involved I know that it would have exasperated the loss. I know I made wrong decisions. I did consult my lawyer for the first year on each step of the way. He's unaware of the situation I'm in today and the information I now know regarding the relationship between auction.com and Scott's arrangement with them. I'm not privy to the details of it. The guilt, embarrassment, and humility any other adjective you can add in there is over whelming. I can't face my parents, which yes, they are going to be severely hurt, more than all of you by this, going through the legal process is unbearably thought. I have no idea where that would lead, jail? Possibly. Years spent in courts and lawyers trying to settle this all out. Mean while having to face all of you. I can't do it. I love my family and my boys as much as any of you do your families. I can't put them through this face to face. I've decided to be my own judge and jury and I decided the death penalty. I am never going to see my amazing boys grow up. My divorce which I spent more effort than anyone would believe to mitigate the negative effect on my boys, is now in vain because my death is going to be overwhelming to them. As I'm sitting here typing this I'm crying because of the thought of the sadness, angry, confusion, I am going to bring to their lives. As bad as it is, I feel it's a better option than me living, having them see what you and courts would do to me, justifiably too. I'm sorry for everything that I've done. I believe that you can recover a substantial amount of your principle. I believe with me dead there is no change in the chance of that happening. I don't know how to end this other than I'm not asking for forgiveness I'm just sorry I wasn't forthcoming in the beginning maybe it would have had a better ending or process than I feared would happen. I know this all sounds nearly incoherent but my mind isn't exactly clear.

DIC0009475

# **Exhibit M**



FACSLIB:

I hoped I shield you from this until after the boys left for school. I couldn't guarantee it but I tried. I could maintain for a few more weeks, but no reason, same result. I was going to do this a few weeks ago; I was still trying to fix it.

Here are the files on the boys. Their school papers, birth certificates, passports, medical info. Everything is here you need.

Get a small fire proof safe to put these documents in. maybe they will let you take mine. The key is in box in the corner a little above eye level for you. Or I'll just leave them in the safe lock. I sent all my paperwork to my sister, passports, car stuff, birth certificates, will; you need to update your will. If you die, where to the boys go? I would suggest Iggy. I don't think your brother needs any more challenges. Either of our parents are prepared. Please leave to Iggy, mike and Helen as back up, just as we had decided when we were married, I'm sure it won't come to pass, but we have to be prepared.

There is some food over here you can get too. All things that the boys like.

Please do a better job of feeding them a better diet. I see them eating take out and processed food all the time. You know that's going to cause problems for Dillon. It's not healthy for either one of them. Please do a smoothie. I do orange juice, banana, spinach leaves, yogurt as the standard; I stuff it with spinach leaves. You have to give them some green vegetables.

The boy's dentist is Ironwood Dental Center 15425 S 40<sup>th</sup> place, Ste #1, Phx, 85044, 480-704-0701; ask for Helen to do their cleanings. Ask them to switch the post card reminder to your address. They go every 6 months. They have an appointment next month I told you about. August 22<sup>nd</sup> 3:30

Dillon has one more HPV shot that is needed call in Late August s/b about right. Call 480-839-9097, Marstiller. They are at the same location, 101 and southern. He has to get this shot, otherwise the vaccine won't work. all three are necessary. Make sure you take shot record with you.

Get their flu shots in the fall. I usually go to target, it's cheap and quick. It makes a huge difference.

Ty has his 11 yr old shots next year in May; about 5 of them he will also get his first HPV shot then too. Please stay on top of this it's extremely important. Make sure you take his shot record with you.

Sorry for the tramp. I know you hate it, they love it and I figure I can give them one more gift. They did a cute presentation to convince me that they should have one

The login for school is dennyc, password dillonty1415 this is to see their grades, pay their fees and interact with their teachers more easily. There is an app now too.

<https://horizonclc.powerschool.com/public/>

The letters in the back of the folder that I've typed for them are really for when they get older. The plan was to give it to them when they are 18, but I think you might want to give it to them now. It might help them.

The one long letter behind this one I want you to read to them right away. Or at least when you think they can hear it. You should read it first. You have to edit it while you read it I don't know. It's meant to help. It will be painful I know. But I had to type it up. It was a challenge to do. This is so incredible hard.

When it comes to school and homework, I know you have relied on me to do the majority of it. Now you have to step up your game big time! Now that they are older they know what is expected of them but you still have to go over it with them and check it. Make sure they are reading regularly, make sure they are practicing their Spanish on their iPods and typing on their computers. 15 mins each a day would be great, maybe 2 or 3 times a week would be probably. Just tell them, they'll do it. You really need to make this a priority; it's our boy's education!

You need to make a concerted effort to monitor, limit, and restrict what they are viewing on their iPods. I don't know if it's YouTube or what. But think what age they are, yes we think they are innocent but the internet is not. Nip it before it's a problem plz.

I meant this to be bullet points of shit you needed to take over and it's turning in to a dictation of how I want you to raise the boys. I'm sorry. I'm so out of my mind right now, you can't understand.

Iggy will of course be in charge of the boys trust. She'll have access to some money to help you. Yet again another obligation I can't fulfill. I'm sorry. I don't know how much she'll have. I know she's the last person you want to deal with on such a subject. But I have no one else to turn to that I can trust to do have the best intentions for our boys. It will take her time to get things sorted out. The check I gave you will cash. I'm sure in short order she'll be able to continue to send you money to help cover their health costs, sports expense, camps, activities, and school costs, whatever it might be. I know you won't take advantage of it and I know she'll be strict in monitoring it. I know this is going to cause strife. I just hope that you'll be able to find a happy medium on doing what's best for our boys and be able to function. Based on our prenup, it says if I die, the payments stop. But I know that will put you and the boys in a bad position. She's knows you'll need help. How much is the question and I can't dictate that or guess. I'm just hoping you can work it out together.

I know the boys are going to want to keep a ton of my stuff. I'm sorry I know you don't have room. I hope you can find some compromise.

The poster size sticker of pictures from our trip was disappointing. It seems like the photos are a bit dark, and they don't look like that on my camera. I'm sure they'll want to put it on their wall. Or maybe they'll want to burn it.

I'm so desperately afraid of their angry. These last two days have been such a struggle for me. I keep kissing them and hugging them. I get so torn in my decision then I get rational and realize that I'm making the right decision. I'm worried about Ty because of his comments about wanting to be dead and killing himself. I'm so scared I'm going to bring something awful out in him. It might empower him to realize its awful and permanent and worse thing in the world. I worry about Dillon going from happy and kind to mean and spiteful and hating the world. I can promise you this is all I think about is how it's going to affect the boys. I know it will be tremendously negative I know it's going to hurt them. Then why did you do it you ass hole? Is what you are thinking? I keep going back to what's in front of me. The consequences are so harsh that I believe I will end up in jail for a long time, completely financially ruined. That would put them in a worse position then what I'm doing. I truly believe that I can I promise you I've spent 1000's of hours thinking about this. I'm so convinced this is the right thing to do. There is no other way I can protect them and provide for them.

For their healthcare insurance, they are covered for August you'll have to put them on your policy and Iggy can help with the added cost. I have 35k in my HSA. It all coverts to my estate which thus will go their trust. That alone should be able to pay for premiums and health care for years and years. Since I'm dead they can't find me guilty or fine me millions of dollars in liability. That's why I'm doing this. If I were alive they would take every penny I have, bk me and there would be nothing left. I'm better off dead than alive. Financially speaking so will you and the boys. Now you may say no stay alive and "I'll make it, boys and I will be ok" true, I don't think you'll end up on the street. However, what good will I be if I'm in jail for 25 years or something. What good would be to pay a lawyer all the money I have left to keep me from going to jail for only 15 years? I have no idea if I would end up there or not, but I'll be fined for securities violations and that will take all my money and those fines don't get dropped. This is not a financial decision! It may sound like it, but it's not. It's what best to provide for our boys. Now the emotional side at least you'll be here for your boys. I won't be here, I'll be in jail. I've got to face all the people that lost money. How much fun will I be to be around anyone? I know I know I can hear you telling me, I have to be here anything just a little is better than nothing. I just don't see it that way. This is so personal to me and I can't live with myself. I'm such a wreck now, when I have to speak to these people it would be implausible. Just look what I've done to my parents. Their whole retirement is ruined. How is my mother going to be cared for now? Live with one of my sisters as she spins in to dementia? All because of me! How the hell am I going to be able to deal with that? My own parents, my uncle, aunt, my best friends, your parents! You think my social life now is non-existent, if I'm not in jail, I'll be hiding! I'm just babbling at this point. I've only slept a few hours over the last week. I'm nearly incoherent at this point.

I know you are going to hate me too. I understand. But I can promise you this, with all that you did to me and us; I never spoke badly of you in front of the boys. ½ of them was you. If I tear

you down I'm tearing 1/2 of them down. Plz try to do that in this case. I know there will be a lot of rage, angry, on and on and it should be directed at me, I own it. But they'll be better in time and I think that with some therapy and maturity they can hopefully understand. I'm sorry to burden you with this whole thing and raise them alone. I wasn't planning on letting you do this alone. I was going to be involved in their lives more than any father normally is. We had as good of divorce as you could hope for, which I appreciate. Now this isn't possible. It wouldn't be possible if I stayed alive. I now you are working on growing your business and branching out etc. that's great you'll need too. However, make sure they are your priority. An email or text can wait to check home work, cut an apple, and answer a question. There will be endless hours of when they are at school, practice or out playing with their friends; you'll have time to get your work done. Perhaps this will enhance your time management and using others to assist you even more so.

I don't know if anyone will understand why I did this. I have told everyone the same thing. I found a fraud; it was big, I tried fixing it. It got compounded, I can't fix it now. I've invested all I have but my retirement funds and boy's college funds to fix it. If I stay alive I will have to spend everything left to defend myself. In the end I fear the outcome would be jail. I never intended to anything illegal. However, there were decisions that I made that I believed was in the best interest in fixing the problem, that violated laws, despite my intentions. I had legal counsel approving what I was doing in the beginning and he gave bad advice. Perhaps it was fear, arrogance or desperation or all three. But I truly tried to fix it and in the end I could not. I have negatively affected the people closest and dearest to me. How do I deal with what my actions have caused so many people? My own parents will be affected by this more than anyone. Not only emotionally, but financially. I was responsible for being a good steward of everyone's money. I didn't fulfill my obligation. They have every right to go after me criminally, civilly. It's just not something I'm willing to go through and face the people that have trusted me. I'm sure they will call me coward. I'm doing this so that our boys will have something to start them in life. I have no idea how much will be there for them. I can't fund their college funds anymore. I wouldn't be able to do anything for them. I have made this choice for them. It's a sacrifice I'm willing to make. I know they won't understand, they can't, not for 10-15 years.

I've been typing this over days and along with the boy's letters, instructions to Iggy, and my investors. I'm sure they aren't making sense to people. I'm trying to justify my actions. I'm trying to explain to everyone why I did this, why in my sick mind (I'm sure people are thinking) that I coward out and don't go to prison. They probably see that as a better penalty than death. I think this is way worse. I lose out on my boys. That's worse than any thing anyone could do to me. Then why do it you idiot? I think I've stated those reasons above, somewhat incoherently but I've done my best. I can't go back; I've put things in motion at this point. I've missed and forgotten a few things I'm sure, but it's hard to think clearly enough to be organized. I can promise you assure you I didn't take this lightly. I've been working on this like crazy for months trying to figure out what to do and I can't get it right. It all leads me back to same decision. I know our boys and my parents are better off this way. Yes the emotional pain and scares will last a life time. I realize that. I'm just confident that with time and support they will recover, it will always be there, the pain and angry but they will recover, thrive and move on and do

wonderful things in their lives. You will be so proud, you'll say a 100 times a year, and I wish your dad could have seen you! I'm so confident in that, it gives me strength to do what I need to do to allow them to have a chance. You think by seeing me arrested, or sitting in jail isn't going to be bad on them, you struggling to provide for them or leaning on your parents whom I've already financially impacted. You can't rely on my parents they are ruined. My sisters, that's not fair to them. They have their own challenges. I've impaired all the people that are in the best situation to help and now I have to ask them for help. I can't do that. Don't talk to me about forgiveness. I didn't break a vase. I completely let down everyone. Yes now I'm going to let down my boys. I know in your mind this is unforgivable. I know that you believe that it's better to be here and face the music. But when the music ends the results will be that I'm unable to provide, I'll probably be unable to be with them see them and what good to them will I be? I have always said I'm the most honest person I know. Now I see that I didn't live up to my own standards. I had a plan and the agreement from a lawyer on how to proceed, I did everything I could to make it work, then it got worse and now there is no saving it. I should have come forward then. It would have been a downward spiral and I wouldn't be facing any criminal charges, just civil. However, even that wouldn't have been applicable. The fraud was done against me; I had no knowledge what so ever! I could have come forward to my investors, they would sue me, the other lenders would sue, everyone would sue and it would implode. I absolutely knew that. See if an investor requests their money back, I say that I'll do my best to return it to them based on their request date. But legally I don't have to redeem it until it's due. However, I have 100's of individual investments from a 100 people. Every other day a note matures, so as they request them to be redeemed I wouldn't be able to redeem them because the money isn't coming back in because all the lenders are suing each other to see who's in first position and that would take months if not a year. So our plan was let's get rid of the disgruntled lenders, take control of the properties, sell them off, keep operating the business, keep paying the investors their interest, redeem money when requested and over time Scott would pay back the loss accumulating from the deficit of the 2<sup>nd</sup> positions. Do you see why that was a better alternative? Dave my lawyer, negotiated the work out agreement, and endorsed the plan. Then when Scott said hey, let me buy some foreclosures, flip them, wholesale them, etc so I can make money. All the other lenders wouldn't lend to him. I needed him to make money now more than ever before, we went to Dave, and he gave some constraints on how we were to operate. I followed them. I have all the documentation. I received copies of checks made out to trustees, receipts from the trustee's. I had all my docs signed, I recorded my mortgage, I got insurance, and I did everything. Once he paid me back I received back my principle and interest. He was making money and paying down the workout balance that was accumulating. We were making progress. That's who I was able to look at everyone in the eye, that's how I was able to sleep at night; I was doing the right thing to get things back in the balance. Then I find out he's got some "arrangement with auction.com" which I've never been full made aware of, I believe is a scam. I've been providing the funding for and now I'm guilty. What am I going to get anyone to believe I could lend this man this much money and not be aware? No one would believe me. Even though I was getting all the security that I would normally get if it was legit. However once his wife went nuts, the divorce the BK, everything went wrong. Now I'm stuck with an inability to get the money back. I learn that there seems to be some kind of fraud going on and now I'm left looking like I'm in on it and I'm screwed. I'm



probably not making coherent sense. You might even believe well a judge would believe me and see that I did nothing intentional wrong. However, in the rules of the law, there are specific things that you have to do when dealing with investor money; I didn't follow some of those. I can't point the finger to the lawyer that said it's ok. But later down the road, there were decisions I made along the same lines that weren't endorsed by the lawyer and he had no knowledge of that I'm sure puts me in jeopardy of the law. I'm not making sense I know. I'm running on no sleep and I can't even make sense of what I'm saying.

I could go on and on, but I don't think it's fair at this point. My head is a mess. I'm out of time. I can't fix it. I have nowhere to turn the consequences are for worse than this alternative.

I have just typed for hours and hours over days and I don't think I've come close to giving an explanation that will help make the boys understand. They can't. There is no way they can. Only in years from now. By then I have no idea how they will feel towards me other than hate. I'm just so perplexed on this issue. I look at the boys and think there is no way you can do this, then I think of waking up tomorrow or next week and realizing what is front of me and how I go forward it's overwhelming and know I can't explain that to the boys either. How could their dad do something wrong and be in such trouble. I'm an idiot, I'm scared, I got bad advice, I was defrauded, any of those are true, but in the end I'm responsible and I have to pay the price. This is cheaper price than not having anything for my parents and children that I put in this position. I never did it knowing or purposefully. I was always from the outset of this problem doing my best to fix the problem and get things right. That's all the goal was. It was never to defraud anyone, lie to anyone, misrepresent to anyone, harm anyone and in the end that's what happened, everyone got harmed. Here I am an hour later back typing to you when I said I was done and printed it. I can't even explain the amount of guilt and remorse I feel now. I'm so overwhelmed by it it's driving all my decision making. I have paced this house 100 miles thinking, I've laid awake for hours upon hours thinking. I drive mindlessly trying to figure this out. I just can't. No one can help me. I can't help myself. I'm doomed, there is nowhere to turn, and nothing left to do.

Please do the best you can in raising our boys. Make them your sole motivation for everything that you do. They will surprise you, impress you, drive you crazy and in the end you'll be proud of who they are what they accomplish and who they become. I'm sitting here crying at the fact I can't be there to see it all. But if I don't do this, they will be severely impaired to be giving the chance to do all of this and I can't be at fault for that too.

# **Exhibit N**

**See Flash Drive**

# **Exhibit O**

**See Flash Drive**

**Depo. Ex. 2**

November 3, 2014

DENSCO INVESTMENT CORPORATION  
6132 W VICTORIA PL  
CHANDLER, AZ 85226

Re: Account Number: XXXXXX 8555  
Account Name: DENSCO INVESTMENT CORPORATION

Dear Customer:

We are writing to advise you that the above referenced savings or checking account will be restricted from all debits and credits in 21 calendar days and closed 30 calendar days from the date of this notice. If the account is a Certificate of Deposit (CD) or other time deposit account, it will be closed at maturity. In accordance with the provisions of our Deposit Agreement and disclosures provided to you at the time your account was opened, either the bank or the customer may close the account at any time.

We are notifying you in advance so that you have an opportunity to make other banking arrangements. If you prefer, you may close your account at any time prior to the restriction date. For CD or Time Deposit accounts early withdrawal penalties may be assessed if closed prior to maturity.

Please be advised of the following:

- We recommend that you make other banking arrangements for the handling of any automatic transactions, electronic transactions, or both in order to help avoid fees.
- Please do not continue to write checks on the account or make additional deposits. Any checks presented for payment after the restriction date will be returned unpaid. Your debit card will no longer access the account once the account is closed.
- If your account is overdrawn or becomes overdrawn, a deposit of cash must be made to bring the account to a zero balance. If the account remains in a negative balance, we may report the account to the following reporting agencies, Chex Systems, Inc., Early Warning Services, LLC, or both. This may adversely impact your ability to open an account at another financial institution for up to seven years.
- We will send you a cashier's check for the account balance once the account is closed; the check will be mailed to the address that we have on file for you.
  - If the account is an interest bearing savings account or other interest bearing account, interest accrued as of the date of closure will be included in the amount of the check.

If you have other accounts with us, you may receive a separate letter from us regarding those accounts.

Please call us toll-free at 1.855.241.4049 Monday through Friday from 8 a.m. to 5 p.m. Eastern, if you have any questions regarding this matter.

Sincerely,

Closure Unit  
Bank of America

November 3, 2014

DENSCO INVESTMENT CORPORATION  
6132 W VICTORIA PL  
CHANDLER, AZ 85226

Re: Número de cuenta: XXXXXX 8555  
Nombre de la cuenta: DENSCO INVESTMENT CORPORATION

Estimado cliente:

Le escribimos para informarle que la cuenta de ahorros o de cheques que se menciona arriba quedará restringida para todo débito y crédito en el término de 21 días calendario y se cerrará en el término de 30 días calendario a partir de la fecha de esta notificación. Si la cuenta es un Certificado de Depósito (CD) u otra cuenta de depósito a plazo, la misma se cerrará a su vencimiento. Conforme a las disposiciones de nuestro Acuerdo de Depósito y divulgaciones que se le suministraron a usted en el momento de apertura de su cuenta, tanto el banco como el cliente podrán cerrar la cuenta en cualquier momento.

Le enviamos esta notificación con anticipación para que usted tenga la oportunidad de disponer otros arreglos bancarios. Si lo prefiere, usted podrá cerrar su cuenta en cualquier momento anterior a la fecha de restricción. Para las cuentas de Certificado de Depósito (CD) o de Depósito a Plazo pueden imponerse penalizaciones por retiro prematuro de fondos si se cierran antes de su vencimiento.

Le informamos lo siguiente:

- Le recomendamos que disponga otros arreglos bancarios para el manejo de cualquier transacción automática, transacción electrónica o ambas para ayudar a evitar cargos.
- Por favor, no continúe extendiendo cheques desde la cuenta ni efectuando depósitos adicionales. Cualquier cheque presentado para su pago con posterioridad a la fecha de restricción se devolverá sin pagar. Su tarjeta de débito ya no tendrá acceso a la cuenta una vez que la misma se cierre.
- Si su cuenta se encuentra sobregirada o se sobregira, deberá realizarse un depósito de dinero en efectivo para dejar la cuenta sin ningún saldo. Si la cuenta continúa teniendo un saldo negativo, podremos reportar la cuenta a las siguientes agencias de informes: Chex Systems, Inc., Early Warning Services, LLC, o ambas. Esto puede afectar de manera adversa su capacidad para abrir una cuenta en otra institución financiera durante un período de hasta siete años.
- Le enviaremos a usted un cheque de cajero por el saldo de la cuenta una vez que la misma se cierre. El cheque será enviado por correo al domicilio suyo que tengamos en nuestros archivos.
  - Si la cuenta es una cuenta de ahorros que genera intereses u otra cuenta que genera intereses, los intereses acumulados a la fecha del cierre se incluirán en la cantidad del cheque.

Si usted tiene otras cuentas con nosotros, posiblemente reciba una carta por separado de parte nuestra con respecto a dichas cuentas.

Por favor llámenos toll-free at 1.855.241.4049 Monday through Friday from 8 a.m. to 5 p.m. Eastern, si tiene alguna pregunta con respecto a este asunto.

Atentamente,

Unidad de Cierres  
Bank of America

November 3, 2014

DENSCO INVESTMENT CORPORATION  
6132 W VICTORIA PL  
CHANDLER, AZ 85226

Re: Account Number: XXXXXX 7509  
Account Name: DENSCO INVESTMENT CORPORATION

Dear Customer:

We are writing to advise you that the above referenced savings or checking account will be restricted from all debits and credits in 21 calendar days and closed 30 calendar days from the date of this notice. If the account is a Certificate of Deposit (CD) or other time deposit account, it will be closed at maturity. In accordance with the provisions of our Deposit Agreement and disclosures provided to you at the time your account was opened, either the bank or the customer may close the account at any time.

We are notifying you in advance so that you have an opportunity to make other banking arrangements. If you prefer, you may close your account at any time prior to the restriction date. For CD or Time Deposit accounts early withdrawal penalties may be assessed if closed prior to maturity.

Please be advised of the following:

- We recommend that you make other banking arrangements for the handling of any automatic transactions, electronic transactions, or both in order to help avoid fees.
- Please do not continue to write checks on the account or make additional deposits. Any checks presented for payment after the restriction date will be returned unpaid. Your debit card will no longer access the account once the account is closed.
- If your account is overdrawn or becomes overdrawn, a deposit of cash must be made to bring the account to a zero balance. If the account remains in a negative balance, we may report the account to the following reporting agencies, Chex Systems, Inc., Early Warning Services, LLC, or both. This may adversely impact your ability to open an account at another financial institution for up to seven years.
- We will send you a cashier's check for the account balance once the account is closed; the check will be mailed to the address that we have on file for you.
  - If the account is an interest bearing savings account or other interest bearing account, interest accrued as of the date of closure will be included in the amount of the check.

If you have other accounts with us, you may receive a separate letter from us regarding those accounts.

Please call us toll-free at 1.855.241.4049 Monday through Friday from 8 a.m. to 5 p.m. Eastern, if you have any questions regarding this matter.

Sincerely,

Closure Unit  
Bank of America

November 3, 2014

DENSCO INVESTMENT CORPORATION  
6132 W VICTORIA PL  
CHANDLER, AZ 85226

Re: Número de cuenta: XXXXXX 7509  
Nombre de la cuenta: DENSCO INVESTMENT CORPORATION

Estimado cliente:

Le escribimos para informarle que la cuenta de ahorros o de cheques que se menciona arriba quedará restringida para todo débito y crédito en el término de 21 días calendario y se cerrará en el término de 30 días calendario a partir de la fecha de esta notificación. Si la cuenta es un Certificado de Depósito (CD) u otra cuenta de depósito a plazo, la misma se cerrará a su vencimiento. Conforme a las disposiciones de nuestro Acuerdo de Depósito y divulgaciones que se le suministraron a usted en el momento de apertura de su cuenta, tanto el banco como el cliente podrán cerrar la cuenta en cualquier momento.

Le enviamos esta notificación con anticipación para que usted tenga la oportunidad de disponer otros arreglos bancarios. Si lo prefiere, usted podrá cerrar su cuenta en cualquier momento anterior a la fecha de restricción. Para las cuentas de Certificado de Depósito (CD) o de Depósito a Plazo pueden imponerse penalizaciones por retiro prematuro de fondos si se cierran antes de su vencimiento.

Le informamos lo siguiente:

- Le recomendamos que disponga otros arreglos bancarios para el manejo de cualquier transacción automática, transacción electrónica o ambas para ayudar a evitar cargos.
- Por favor, no continúe extendiendo cheques desde la cuenta ni efectuando depósitos adicionales. Cualquier cheque presentado para su pago con posterioridad a la fecha de restricción se devolverá sin pagar. Su tarjeta de débito ya no tendrá acceso a la cuenta una vez que la misma se cierre.
- Si su cuenta se encuentra sobregirada o se sobregira, deberá realizarse un depósito de dinero en efectivo para dejar la cuenta sin ningún saldo. Si la cuenta continúa teniendo un saldo negativo, podremos reportar la cuenta a las siguientes agencias de informes: Chex Systems, Inc., Early Warning Services, LLC, o ambas. Esto puede afectar de manera adversa su capacidad para abrir una cuenta en otra institución financiera durante un período de hasta siete años.
- Le enviaremos a usted un cheque de cajero por el saldo de la cuenta una vez que la misma se cierre. El cheque será enviado por correo al domicilio suyo que tengamos en nuestros archivos.
  - Si la cuenta es una cuenta de ahorros que genera intereses u otra cuenta que genera intereses, los intereses acumulados a la fecha del cierre se incluirán en la cantidad del cheque.

Si usted tiene otras cuentas con nosotros, posiblemente reciba una carta por separado de parte nuestra con respecto a dichas cuentas.

Por favor llámenos toll-free at 1.855.241.4049 Monday through Friday from 8 a.m. to 5 p.m. Eastern, si tiene alguna pregunta con respecto a este asunto.

Atentamente,

Unidad de Cierres  
Bank of America



November 3, 2014

DENNY J CHITTICK  
6132 W VICTORIA PL  
CHANDLER, AZ 85226

Re: Account Number: XXXXXX 8095  
Account Name: DENNY J CHITTICK

Dear Customer:

We are writing to advise you that the above referenced savings or checking account will be restricted from all debits and credits in 21 calendar days and closed 30 calendar days from the date of this notice. If the account is a Certificate of Deposit (CD) or other time deposit account, it will be closed at maturity. In accordance with the provisions of our Deposit Agreement and disclosures provided to you at the time your account was opened, either the bank or the customer may close the account at any time.

We are notifying you in advance so that you have an opportunity to make other banking arrangements. If you prefer, you may close your account at any time prior to the restriction date. For CD or Time Deposit accounts early withdrawal penalties may be assessed if closed prior to maturity.

Please be advised of the following:

- We recommend that you make other banking arrangements for the handling of any automatic transactions, electronic transactions, or both in order to help avoid fees.
- Please do not continue to write checks on the account or make additional deposits. Any checks presented for payment after the restriction date will be returned unpaid. Your debit card will no longer access the account once the account is closed.
- If your account is overdrawn or becomes overdrawn, a deposit of cash must be made to bring the account to a zero balance. If the account remains in a negative balance, we may report the account to the following reporting agencies, Chex Systems, Inc., Early Warning Services, LLC, or both. This may adversely impact your ability to open an account at another financial institution for up to seven years.
- We will send you a cashier's check for the account balance once the account is closed; the check will be mailed to the address that we have on file for you.
  - If the account is an interest bearing savings account or other interest bearing account, interest accrued as of the date of closure will be included in the amount of the check.

If you have other accounts with us, you may receive a separate letter from us regarding those accounts.

Please call us toll-free at 1.855.241.4049 Monday through Friday from 8 a.m. to 5 p.m. Eastern, if you have any questions regarding this matter.

Sincerely,

Closure Unit  
Bank of America

November 3, 2014

DENNY J CHITTICK  
6132 W VICTORIA PL  
CHANDLER, AZ 85226

Re: Número de cuenta: XXXXXX 8095  
Nombre de la cuenta: DENNY J CHITTICK

Estimado cliente:

Le escribimos para informarle que la cuenta de ahorros o de cheques que se menciona arriba quedará restringida para todo débito y crédito en el término de 21 días calendario y se cerrará en el término de 30 días calendario a partir de la fecha de esta notificación. Si la cuenta es un Certificado de Depósito (CD) u otra cuenta de depósito a plazo, la misma se cerrará a su vencimiento. Conforme a las disposiciones de nuestro Acuerdo de Depósito y divulgaciones que se le suministraron a usted en el momento de apertura de su cuenta, tanto el banco como el cliente podrán cerrar la cuenta en cualquier momento.

Le enviamos esta notificación con anticipación para que usted tenga la oportunidad de disponer otros arreglos bancarios. Si lo prefiere, usted podrá cerrar su cuenta en cualquier momento anterior a la fecha de restricción. Para las cuentas de Certificado de Depósito (CD) o de Depósito a Plazo pueden imponerse penalizaciones por retiro prematuro de fondos si se cierran antes de su vencimiento.

Le informamos lo siguiente:

- Le recomendamos que disponga otros arreglos bancarios para el manejo de cualquier transacción automática, transacción electrónica o ambas para ayudar a evitar cargos.
- Por favor, no continúe extendiendo cheques desde la cuenta ni efectuando depósitos adicionales. Cualquier cheque presentado para su pago con posterioridad a la fecha de restricción se devolverá sin pagar. Su tarjeta de débito ya no tendrá acceso a la cuenta una vez que la misma se cierre.
- Si su cuenta se encuentra sobregirada o se sobregira, deberá realizarse un depósito de dinero en efectivo para dejar la cuenta sin ningún saldo. Si la cuenta continúa teniendo un saldo negativo, podremos reportar la cuenta a las siguientes agencias de informes: Chex Systems, Inc., Early Warning Services, LLC, o ambas. Esto puede afectar de manera adversa su capacidad para abrir una cuenta en otra institución financiera durante un período de hasta siete años.
- Le enviaremos a usted un cheque de cajero por el saldo de la cuenta una vez que la misma se cierre. El cheque será enviado por correo al domicilio suyo que tengamos en nuestros archivos.
  - Si la cuenta es una cuenta de ahorros que genera intereses u otra cuenta que genera intereses, los intereses acumulados a la fecha del cierre se incluirán en la cantidad del cheque.

Si usted tiene otras cuentas con nosotros, posiblemente reciba una carta por separado de parte nuestra con respecto a dichas cuentas.

Por favor llámenos toll-free at 1.855.241.4049 Monday through Friday from 8 a.m. to 5 p.m. Eastern, si tiene alguna pregunta con respecto a este asunto.

Atentamente,

Unidad de Cierres  
Bank of America



# **Depo. Ex. 15**

**Filed Under Seal**

**Depo. Ex. 16**

**Filed Under Seal**

# **Depo. Ex. 17**

**Filed Under Seal**

**Depo. Ex. 20**

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION  
 GROUP ID G03Jan17-726  
 Sequence number Posting date Amount

**Molina**  
**Exhibit No. 20**  
 Kelly S. Oglesby, 5/5/2022

**CHASE PRIVATE CLIENT**

JPMorgan Chase Bank, N.A.  
 P O Box 659754  
 San Antonio, TX 78265-9754

October 01, 2014 through October 31, 2014

Primary Account: 000000590218371

**CUSTOMER SERVICE INFORMATION**

Web site: Chase.com  
 Service Center: 1-888-994-5626  
 Deaf and Hard of Hearing: 1-800-242-7383  
 International Calls: 1-713-262-1679

00120468 DRE 601 141 30514 NNNNNNNNNN T 1 000000000 69 0000  
 YOMTOV S MENAGED  
 10510 E SUNNYSIDE DR  
 SCOTTSDALE AZ 85259-2918

**CONSOLIDATED BALANCE SUMMARY:****ASSETS****Checking & Savings**

	ACCOUNT	BEGINNING BALANCE THIS PERIOD	ENDING BALANCE THIS PERIOD
Chase Private Client Checking	000000590218371	\$222,031.01	\$229,071.02
Chase Private Client Savings	000003317775525	0.00	300,020.04
<b>Total</b>		<b>\$222,031.01</b>	<b>\$529,091.06</b>

**TOTAL ASSETS**

**\$222,031.01**      **\$529,091.06**

All Summary Balances shown are as of October 31, 2014 unless otherwise stated. For details of your retirement accounts, credit accounts or securities accounts, you will receive separate statements. Balance summary information for annuities is provided by the issuing insurance companies and believed to be reliable without guarantee of its completeness or accuracy.



THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION  
 GROUP ID G03Jan17-726  
 Sequence number Posting date Amount



CHASE PRIVATE CLIENT

October 01, 2014 through October 31, 2014

Primary Account: 000000590218371

# CHASE PRIVATE CLIENT CHECKING

YOMTOV S MENAGED

Account Number: 000000590218371

## CHECKING SUMMARY

	AMOUNT
Beginning Balance	\$222,031.01
Deposits and Additions	8,881,230.95
Checks Paid	- 6,323.33
ATM & Debit Card Withdrawals	- 97,851.95
Electronic Withdrawals	- 8,769,495.66
Fees and Other Withdrawals	- 520.00
<b>Ending Balance</b>	<b>\$229,071.02</b>
Annual Percentage Yield Earned This Period	0.01%
Interest Earned This Period	\$2.04
Interest Paid Year-to-Date	\$7.75

## CHECKS PAID

CHECK NUMBER	DATE PAID	AMOUNT
315 ^	10/07	\$186.94
316 ^	10/03	390.80
317 ^	10/07	23.59
319 * ^	10/03	211.00
321 * ^	10/24	2,511.00
323 * ^	10/28	3,000.00
<b>Total Checks Paid</b>		<b>\$6,323.33</b>

If you see a check description in the Transaction Detail section, it means your check has already been converted for electronic payment. Because of this, we're not able to return the check to you or show you an image on Chase.com.

\* All of your recent checks may not be on this statement, either because they haven't cleared yet or they were listed on one of your previous statements.

^ An image of this check may be available for you to view on Chase.com.

## TRANSACTION DETAIL

DATE	DESCRIPTION	AMOUNT	BALANCE
	<b>Beginning Balance</b>		<b>\$222,031.01</b>
10/01	Online Transfer From Chk ...1151 Transaction#: 4184104025	505,671.90	727,702.91
10/01	10/01 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Imad: 1001B1Qgc06C010115 Trn: 4783200274Es	- 505,671.90	222,031.01
10/02	Deposit 1375763186	1,443.84	223,474.85
10/02	Online Transfer From Chk ...1151 Transaction#: 4186547297	290,256.30	513,731.15

## THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number Posting date Amount



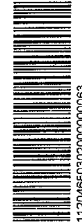
CHASE PRIVATE CLIENT

October 01, 2014 through October 31, 2014

Primary Account: 000000590218371

**TRANSACTION DETAIL** (continued)

DATE	DESCRIPTION	AMOUNT	BALANCE
10/02	10/02 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Imad: 1002B1Qgc03C004503 Trn: 4301500275Es	- 290,256.30	223,474.85
10/03	10/03 Online Payment 4189853875 To Desert Villa Landscape	- 1,260.00	222,214.85
10/03	10/03 Online Payment 4189853873 To City of Scottsdale AZ	- 696.74	221,518.11
10/03	Regents At Scott 8888004797 N3504532 Web ID: 1262437777	- 1,735.82	219,782.29
10/03	Check # 316	- 390.80	219,391.49
10/03	Check # 319	- 211.00	219,180.49
10/06	Online Transfer From Chk ... 1151 Transaction#: 4194725473	704,687.00	923,867.49
10/06	10/06 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Imad: 1006B1Qgc03C004950 Trn: 4505100279Es	- 704,687.00	219,180.49
10/07	Online Transfer From Chk ... 1151 Transaction#: 4196755039	490,503.30	709,683.79
10/07	Online Transfer From Chk ... 1381 Transaction#: 4197017537	7,000.00	716,683.79
10/07	10/07 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corp Chandler AZ 85226 US Imad: 1007B1Qgc02C004051 Trn: 4228800280Es	- 490,503.30	226,180.49
10/07	10/07 Online Payment 4197021112 To Southwest Gas Corporation	- 400.39	225,780.10
10/07	10/07 Online Payment 4197021117 To Top Care Pools	- 215.00	225,565.10
10/07	Check # 315	- 186.94	225,378.16
10/07	Check # 317	- 23.59	225,354.57
10/07	Citi Card Online Payment 111505036990589 Web ID: Citiotp	- 18.93	225,335.64
10/08	Online Transfer From Chk ... 1151 Transaction#: 4198518694	554,704.60	780,040.24
10/08	10/08 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Imad: 1008B1Qgc07C003577 Trn: 3982900281Es	- 554,704.60	225,335.64
10/09	Online Transfer From Chk ... 1151 Transaction#: 4200429693	652,812.05	878,147.69
10/09	10/09 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Imad: 1009B1Qgc02C006846 Trn: 3812100282Es	- 652,812.05	225,335.64
10/09	Jared Acct Pmt 600152596010074 Tel ID: 1520964503	- 5,232.94	220,102.70
10/10	10/10 Online Payment 4203117000 To Arizona Public Service	- 330.35	219,772.35
10/14	Online Transfer From Chk ... 1151 Transaction#: 4208886259	835,684.00	1,055,456.35
10/14	10/13 Online Payment 4207783372 To Ocwen Loan Servicing	- 1,021.41	1,054,434.94
10/14	10/13 Online Payment 4207783353 To Arizona Exterminating CO	- 160.00	1,054,274.94
10/14	10/14 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Chandler AZ 85226 US Imad: 1014B1Qgc07C007609 Trn: 5385800287Es	- 835,684.00	218,590.94
10/14	10/14 Online Transfer To Chk ... 1151 Transaction#: 4209271604	- 200,000.00	18,590.94
10/15	Online Transfer From Chk ... 1151 Transaction#: 4210890776	1,543,186.50	1,561,777.44
10/15	Online Transfer From Chk ... 1151 Transaction#: 4211841188	200,000.00	1,761,777.44
10/15	Online Transfer From Chk ... 1151 Transaction#: 4212298295	100,000.00	1,861,777.44
10/15	Online Transfer From Chk ... 1151 Transaction#: 4209881892	20,000.00	1,881,777.44
10/15	Online Transfer From Chk ... 1381 Transaction#: 4212299664	5,000.00	1,886,777.44
10/15	10/15 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Imad: 1015B1Qgc08C005926 Trn: 4816600288Es	- 1,543,186.50	343,590.94
10/16	Book Transfer Credit B/O: Pnc Bank National Association Akron OH 44308- Org:/1019840186 Penske Truck Leasing CO Lp Ogb: Pnc Bank Pittsburgh Ref: Unit# S And Values Per Unit Referenced Below: 702286 \$5,500.00/Ins/Aba/043000096Pncbank Trn: 2507609289Ez	5,500.00	349,090.94
10/16	Online Transfer From Chk ... 1151 Transaction#: 4213373603	799,763.50	1,148,854.44



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## THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number Posting date Amount



CHASE PRIVATE CLIENT

October 01, 2014 through October 31, 2014

Primary Account: 000000590218371

**TRANSACTION DETAIL** (continued)

DATE	DESCRIPTION	AMOUNT	BALANCE
10/16	Card Purchase 10/14 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	- 20,600.00	1,128,254.44
10/16	10/16 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Imad: 1016B1Qgc02C004862 Trn: 4191200289Es	- 799,763.50	328,490.94
10/17	Online Transfer From Chk ...1151 Transaction#: 4216136104	<b>1,414,224.40</b>	1,742,715.34
10/17	10/17 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Chandler AZ 85226 US Imad: 1017B1Qgc01C005786 Trn: 4487300290Es	- 1,414,224.40	328,490.94
10/17	10/17 Online Payment 4217120764 To Arizona Public Service	- 1,850.29	326,640.65
10/17	Citi Card Online Payment 131513622605087 Web ID: Citictp	- 321.00	326,319.65
10/20	Deposit 1404929959	<b>829.13</b>	327,148.78
10/20	Online Transfer From Chk ...1381 Transaction#: 4220438578	<b>6,000.00</b>	333,148.78
10/20	Card Purchase 10/17 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	- 20,600.00	312,548.78
10/21	Online Transfer From Chk ...1151 Transaction#: 4222535494	<b>334,457.35</b>	647,006.13
10/21	Card Purchase 10/19 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	- 20,600.00	626,406.13
10/21	Card Purchase 10/19 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	- 15,450.00	610,956.13
10/21	10/21 Online Transfer To Chk ...1381 Transaction#: 4222591530	- 4,000.00	606,956.13
10/21	10/21 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Imad: 1021B1Qgc07C004108 Trn: 4311700294Es	- 334,457.35	272,498.78
10/22	Card Purchase With Pin 10/21 Asai Gila River Chandler AZ Card 4108	- 20,601.95	251,896.83
10/22	10/22 Online Payment 4224230257 To Cox Communications	- 613.46	251,283.37
10/23	Online Transfer From Chk ...1151 Transaction#: 4225752792	<b>208,061.20</b>	459,344.57
10/23	10/23 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Imad: 1023B1Qgc06C003982 Trn: 3981400296Es	- 208,061.20	251,283.37
10/23	10/23 Online Payment 4226017517 To Paypal Buyer Credit	- 201.94	251,081.43
10/23	Citi Card Online Payment 131519356096330 Web ID: Citictp	- 1,784.00	249,297.43
10/24	Check # 321	- 2,511.00	246,786.43
10/27	10/27 Withdrawal	- 520.00	246,266.43
10/27	10/27 Online Payment 4233143396 To Ocwen Loan Servicing	- 1,021.41	245,245.02
10/27	10/27 Online Payment 4233143391 To City of Scottsdale AZ	- 87.82	245,157.20
10/28	Check # 323	- 3,000.00	242,157.20
10/30	Deposit 1375763239	<b>1,443.84</b>	243,601.04
10/30	Online Transfer From Chk ...1151 Transaction#: 4238006645	<b>200,000.00</b>	443,601.04
10/30	10/30 Online Transfer To Chk ...1151 Transaction#: 4237075739	- 200,000.00	243,601.04
10/31	10/31 Online Payment 4238123096 To City of Scottsdale AZ	- 424.54	243,176.50
10/31	10/31 Online Payment 4238123099 To Verizon Wireless	- 107.52	243,068.98
10/31	10/31 Online Wire Transfer Via: Wells Fargo NA/121000248 A/C: Building Arizona Families Opersurprise AZ 85353 US Ref: Adoption Final Payment Imad: 1031B1Qgc04C010401 Trn: 5121800304Es	- 14,000.00	229,068.98
10/31	Interest Payment	<b>2.04</b>	229,071.02
	Ending Balance		<b>\$229,071.02</b>

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION  
GROUP ID G03Jan17-726  
Sequence number Posting date Amount



CHASE PRIVATE CLIENT

October 01, 2014 through October 31, 2014

Primary Account: 000000590218371

**CHASE PRIVATE CLIENT SAVINGS**

YOMTOV S MENAGED

Account Number: 000003317775525

**SAVINGS SUMMARY**

	AMOUNT
Beginning Balance as of 09/30/14	\$0.00
Deposits and Additions	300,020.04
Ending Balance	\$300,020.04
Annual Percentage Yield Earned This Period	0.08%
Interest Earned This Period	\$20.04
Interest Paid Year-to-Date	\$20.04



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The monthly service fee for this account was waived as an added feature of Chase Private Client Checking account.

**TRANSACTION DETAIL**

DATE	DESCRIPTION	AMOUNT	BALANCE
	Beginning Balance		\$0.00
09/30	Online Transfer From Chk ...8371 Transaction#: 4181176105	200,000.00	200,000.00
09/30	Transfer From Chk Xxxxx8371	100,000.00	300,000.00
10/31	Interest Payment	20.04	300,020.04
	Ending Balance		\$300,020.04

You earned a higher interest rate on your Chase Private Client Savings account during this statement period because you had a qualifying Chase Private Client Checking account.

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION  
 GROUP ID G03Jan17-726  
 Sequence number Posting date Amount



CHASE PRIVATE CLIENT

October 01, 2014 through October 31, 2014

Primary Account: 000000590218371

# BALANCING YOUR CHECKBOOK

Note: Ensure your checkbook register is up to date with all transactions to date whether they are included on your statement or not.

1. Write in the Ending Balance shown on this statement: Step 1 Balance: \$ \_\_\_\_\_

2. List and total all deposits & additions not shown on this statement:

Date	Amount	Date	Amount	Date	Amount
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Step 2 Total: \$ \_\_\_\_\_

3. Add Step 2 Total to Step 1 Balance.

Step 3 Total: \$ \_\_\_\_\_

4. List and total all checks, ATM withdrawals, debit card purchases and other withdrawals not shown on this statement.

Check Number or Date	Amount	Check Number or Date	Amount
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Step 4 Total: -\$ \_\_\_\_\_

5. Subtract Step 4 Total from Step 3 Total. This should match your Checkbook Balance: \$ \_\_\_\_\_

IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR ELECTRONIC FUNDS TRANSFERS: Call or write us at the phone number or address on the front of this statement (non-personal accounts contact Customer Service) if you think your statement or receipt is incorrect or if you need more information about a transfer listed on the statement or receipt. We must hear from you no later than 60 days after we sent you the FIRST statement on which the problem or error appeared. Be prepared to give us the following information:

- Your name and account number
- The dollar amount of the suspected error
- A description of the error or transfer you are unsure of, why you believe it is an error, or why you need more information.

We will investigate your complaint and will correct any error promptly. If we take more than 10 business days (or 20 business days for new accounts) to do this, we will credit your account for the amount you think is in error so that you will have use of the money during the time it takes us to complete our investigation.

IN CASE OF ERRORS OR QUESTIONS ABOUT NON-ELECTRONIC TRANSACTIONS: Contact the bank immediately if your statement is incorrect or if you need more information about any non-electronic transactions (checks or deposits) on this statement. If any such error appears, you must notify the bank in writing no later than 30 days after the statement was made available to you. For more complete details, see the Account Rules and Regulations or other applicable account agreement that governs your account.



JPMorgan Chase Bank, N.A. Member FDIC

**Depo. Ex. 56**

**Filed Under Seal**

# **Depo. Ex. 58**

**Filed Under Seal**

**Depo. Ex. 60**

**Filed Under Seal**



**Depo. Ex. 61**

**Filed Under Seal**

# **Depo. Ex. 62**

**Filed Under Seal**

**Depo. Ex. 68**

**Filed Under Seal**

**Depo. Ex. 69**

**Filed Under Seal**

**Depo. Ex. 70**

**Filed Under Seal**

**Depo. Ex. 74**

**Filed Under Seal**

# **Depo. Ex. 79**

**Filed Under Seal**

**Depo. Ex. 80**

**Filed Under Seal**



**Depo. Ex. 81**

**Filed Under Seal**

# **Depo. Ex. 82**

**Filed Under Seal**

**Depo. Ex. 88**

**Filed Under Seal**

**Depo. Ex. 89**

**Filed Under Seal**

**Depo. Ex. 90**

**Filed Under Seal**

**Depo. Ex. 91**

**Filed Under Seal**

**Depo. Ex. 223**

**Filed Under Seal**

**Depo. Ex. 224**

**Filed Under Seal**



**Depo. Ex. 240**

**Filed Under Seal**

**Depo. Ex. 241**

**Filed Under Seal**

**Depo. Ex. 242**

**Filed Under Seal**

**Depo. Ex. 243**

**Filed Under Seal**

**Depo. Ex. 244**

**Filed Under Seal**

**Depo. Ex. 246**

**Filed Under Seal**

**Depo. Ex. 278**

03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION  
 GROUP ID G03Jan17-726  
 Sequence number Posting date Amount

**Johnson**  
**Exhibit No. 278**  
 Kelly S. Oglesby, 10/12/2022

**CHASE PRIVATE CLIENT**

JPMorgan Chase Bank, N.A.  
 P O Box 659754  
 San Antonio, TX 78265-9754

May 02, 2014 through May 15, 2014

Account Number: 000000590218371

**CUSTOMER SERVICE INFORMATION**

Web site: Chase.com  
 Service Center: 1-888-994-5626  
 Deaf and Hard of Hearing: 1-800-242-7383  
 International Calls: 1-713-262-1679

00070397 DRE 601 141 13614 NNNNNNNNNN T 1 000000000 11 0000  
 YOMTOV S MENAGED  
 10510 E SUNNYSIDE DR  
 SCOTTSDALE AZ 85259-2918

**CHECKING SUMMARY**

Chase Private Client Checking

	AMOUNT
Beginning Balance	\$0.00
Deposits and Additions	536,531.20
Electronic Withdrawals	- 436,531.00
Ending Balance	\$100,000.20
Annual Percentage Yield Earned This Period	0.01%
Interest Earned This Period	\$0.20
Interest Paid Year-to-Date	\$0.20

**TRANSACTION DETAIL**

DATE	DESCRIPTION	AMOUNT	BALANCE
	Beginning Balance		\$0.00
05/05	Online Transfer From Chk ...1151 Transaction#: 3904467424	50,000.00	50,000.00
05/12	Transfer From Chk Xxxx1151	50,000.00	100,000.00
05/13	Online Transfer From Chk ...1151 Transaction#: 3918459365	124,955.20	224,955.20
05/13	05/13 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Ref: Payoff On 5061 Imad: 0513B1Qgc06C005804 Trn: 3972100133Es	- 124,955.20	100,000.00
05/14	Online Transfer From Chk ...1151 Transaction#: 3920432681	311,575.80	411,575.80
05/14	05/14 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Ref: Payoff On 5043 Imad: 0514B1Qgc08C013503 Trn: 4068400134Es	- 311,575.80	100,000.00
05/15	Interest Payment	0.20	100,000.20
	Ending Balance		\$100,000.20



**THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION**  
**GROUP ID G03Jan17-726**  
**Sequence number Posting date Amount**



CHASE PRIVATE CLIENT

May 02, 2014 through May 15, 2014  
 Account Number: **000000590218371**

### **BALANCING YOUR CHECKBOOK**

**Note:** Ensure your checkbook register is up to date with all transactions to date whether they are included on your statement or not.

1. Write in the Ending Balance shown on this statement: Step 1 Balance: \$ \_\_\_\_\_

2. List and total all deposits & additions not shown on this statement:

Date	Amount	Date	Amount	Date	Amount
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Step 2 Total: \$ \_\_\_\_\_

3. Add Step 2 Total to Step 1 Balance.

Step 3 Total: \$ \_\_\_\_\_

4. List and total all checks, ATM withdrawals, debit card purchases and other withdrawals not shown on this statement.

Check Number or Date	Amount	Check Number or Date	Amount
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Step 4 Total: -\$ \_\_\_\_\_

5. Subtract Step 4 Total from Step 3 Total. This should match your Checkbook Balance: \$ \_\_\_\_\_

**IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR ELECTRONIC FUNDS TRANSFERS:** Call or write us at the phone number or address on the front of this statement (non-personal accounts contact Customer Service) if you think your statement or receipt is incorrect or if you need more information about a transfer listed on the statement or receipt. We must hear from you no later than 60 days after we sent you the FIRST statement on which the problem or error appeared. Be prepared to give us the following information:

- Your name and account number
- The dollar amount of the suspected error
- A description of the error or transfer you are unsure of, why you believe it is an error, or why you need more information.

We will investigate your complaint and will correct any error promptly. If we take more than 10 business days (or 20 business days for new accounts) to do this, we will credit your account for the amount you think is in error so that you will have use of the money during the time it takes us to complete our investigation.

**IN CASE OF ERRORS OR QUESTIONS ABOUT NON-ELECTRONIC TRANSACTIONS:** Contact the bank immediately if your statement is incorrect or if you need more information about any non-electronic transactions (checks or deposits) on this statement. If any such error appears, you must notify the bank in writing no later than 30 days after the statement was made available to you. For more complete details, see the Account Rules and Regulations or other applicable account agreement that governs your account.



JPMorgan Chase Bank, N.A. Member FDIC

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION  
 GROUP ID G03Jan17-726  
 Sequence number Posting date Amount

**CHASE PRIVATE CLIENT**

JPMorgan Chase Bank, N.A.  
 P O Box 659754  
 San Antonio, TX 78265-9754

May 16, 2014 through May 30, 2014

Account Number: **000000590218371****CUSTOMER SERVICE INFORMATION**

Web site: Chase.com  
 Service Center: 1-888-994-5626  
 Deaf and Hard of Hearing: 1-800-242-7383  
 International Calls: 1-713-262-1679



00119715 DRE 601 141 15114 NNNNNNNNNN T 1 000000000 69 0000

YOMTOV S MENAGED  
 10510 E SUNNYSIDE DR  
 SCOTTSDALE AZ 85259-2918



01197150101000000021

**CHECKING SUMMARY**

Chase Private Client Checking

	AMOUNT
Beginning Balance	\$100,000.20
Deposits and Additions	4,000.41
Ending Balance	\$104,000.61
Annual Percentage Yield Earned This Period	0.01%
Interest Earned This Period	\$0.41
Interest Paid Year-to-Date	\$0.61

**TRANSACTION DETAIL**

DATE	DESCRIPTION	AMOUNT	BALANCE
	Beginning Balance		\$100,000.20
05/29	Online Transfer From Chk ...1381 Transaction#: 3947266368	4,000.00	104,000.20
05/30	Interest Payment	0.41	104,000.61
	Ending Balance		\$104,000.61

**THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION**  
**GROUP ID G03Jan17-726**  
**Sequence number Posting date Amount**



CHASE PRIVATE CLIENT

May 16, 2014 through May 30, 2014  
 Account Number: 000000590218371

### **BALANCING YOUR CHECKBOOK**

**Note:** Ensure your checkbook register is up to date with all transactions to date whether they are included on your statement or not.

1. Write in the Ending Balance shown on this statement: **Step 1 Balance: \$** \_\_\_\_\_

2. List and total all deposits & additions not shown on this statement:

Date	Amount	Date	Amount	Date	Amount

**Step 2 Total: \$** \_\_\_\_\_

3. Add Step 2 Total to Step 1 Balance.

**Step 3 Total: \$** \_\_\_\_\_

4. List and total all checks, ATM withdrawals, debit card purchases and other withdrawals not shown on this statement.

Check Number or Date	Amount	Check Number or Date	Amount

**Step 4 Total: -\$** \_\_\_\_\_

5. Subtract Step 4 Total from Step 3 Total. This should match your Checkbook Balance: **\$** \_\_\_\_\_

**IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR ELECTRONIC FUNDS TRANSFERS:** Call or write us at the phone number or address on the front of this statement (non-personal accounts contact Customer Service) if you think your statement or receipt is incorrect or if you need more information about a transfer listed on the statement or receipt. We must hear from you no later than 60 days after we sent you the FIRST statement on which the problem or error appeared. Be prepared to give us the following information:

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- The dollar amount of the suspected error
- A description of the error or transfer you are unsure of, why you believe it is an error, or why you need more information.

We will investigate your complaint and will correct any error promptly. If we take more than 10 business days (or 20 business days for new accounts) to do this, we will credit your account for the amount you think is in error so that you will have use of the money during the time it takes us to complete our investigation.

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JPMorgan Chase Bank, N.A. Member FDIC

## THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number Posting date Amount



## CHASE PRIVATE CLIENT

JPMorgan Chase Bank, N.A.  
P O Box 659754  
San Antonio, TX 78265-9754

May 31, 2014 through June 30, 2014

Account Number: 000000590218371

## CUSTOMER SERVICE INFORMATION

Web site: Chase.com  
Service Center: 1-888-994-5626  
Deaf and Hard of Hearing: 1-800-242-7383  
International Calls: 1-713-262-1679



00120400 DRE 601 141 18214 NNNNNNNNNNN T 1 000000000 69 0000

YOMTOV S MENAGED  
10510 E SUNNYSIDE DR  
SCOTTSDALE AZ 85259-2918



## CHECKING SUMMARY

Chase Private Client Checking

	AMOUNT
Beginning Balance	\$104,000.61
Deposits and Additions	560,590.88
Checks Paid	- 22,832.87
ATM & Debit Card Withdrawals	- 3,025.94
Electronic Withdrawals	- 541,646.73
Ending Balance	\$97,085.95
Annual Percentage Yield Earned This Period	0.01%
Interest Earned This Period	\$0.98
Interest Paid Year-to-Date	\$1.59

## CHECKS PAID

CHECK NUMBER	DATE PAID	AMOUNT
97 ^	06/04	\$1,232.87
98 ^	06/02	400.00
133 * ^	06/23	16,700.00
137 * ^	06/30	4,500.00
Total Checks Paid		\$22,832.87

If you see a check description in the Transaction Detail section, it means your check has already been converted for electronic payment. Because of this, we're not able to return the check to you or show you an image on Chase.com.

\* All of your recent checks may not be on this statement, either because they haven't cleared yet or they were listed on one of your previous statements.

^ An image of this check may be available for you to view on Chase.com.

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION  
GROUP ID G03Jan17-726  
Sequence number Posting date Amount



CHASE PRIVATE CLIENT

May 31, 2014 through June 30, 2014  
Account Number: 00000590218371

## TRANSACTION DETAIL

DATE	DESCRIPTION	AMOUNT	BALANCE
	<b>Beginning Balance</b>		<b>\$104,000.61</b>
06/02	06/02 Online Payment 3955293599 To Ocwen Loan Servicing	- 2,131.26	101,869.35
06/02	06/02 Online Payment 3955300088 To Verizon Wireless	- 224.59	101,644.76
06/02	06/02 Online Payment 3955306388 To Capital One	- 45.65	101,599.11
06/02	06/02 Online Payment 3955330157 To Ocwen Loan Servicing	- 880.76	100,718.35
06/02	06/02 Online Payment 3955321101 To Cox Communications	- 573.42	100,144.93
06/02	06/02 Online Payment 3955316567 To Cox Communications	- 448.19	99,696.74
06/02	06/02 Online Payment 3955312605 To City of Scottsdale AZ	- 227.91	99,468.83
06/02	06/02 Online Payment 3955334999 To Nextcare	- 70.65	99,398.18
06/02	Check # 98	- 400.00	98,998.18
06/03	Online Transfer From Chk ... 1151 Transaction#: 3956583741	10,000.00	108,998.18
06/04	Check # 97	- 1,232.87	107,765.31
06/09	06/09 Online Payment 3969165413 To Arizona Exterminating CO	- 160.00	107,605.31
06/09	06/09 Online Payment 3969168274 To Top Care Pools	- 107.00	107,498.31
06/12	Deposit	30,000.00	137,498.31
06/13	06/13 Online Wire Transfer Via: Wells Fargo NA/121000248 A/C: Zuno Express Los Angeles CA 90012 US Ref: Furniture King 12072,12080,12049,12107,12127/Acc/Org CR Pty Recd Aba/122000247 Wells Fargo Bank, National Associ At 6001 Topanga Canyonimad: 0613B1Qgc02C003677 Trn: 4993100164Es	- 1,620.53	135,877.78
06/16	06/16 Online Payment 3981666867 To City of Scottsdale AZ	- 627.15	135,250.63
06/19	06/19 Online Payment 3987236643 To Amazon	- 89.86	135,160.77
06/23	ATM Surcharge Refund 06/22 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	2.00	135,162.77
06/23	Non-Chase ATM Withdraw 06/22 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	- 1,002.00	134,160.77
06/23	Check # 133	- 16,700.00	117,460.77
06/25	Online Transfer From Chk ... 1151 Transaction#: 3997505942	150,582.40	268,043.17
06/25	Online Transfer From Chk ... 1151 Transaction#: 3997306301	70,000.00	338,043.17
06/25	06/24 Online Payment 3996463664 To Cox Communications	- 504.42	337,538.75
06/25	06/25 Online Transfer To Chk ... 1151 Transaction#: 3996787131	- 70,000.00	267,538.75
06/25	06/25 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Ref: Payoff On 2722 North 122 Avenue Imad: 0625B1Qgc03C004081 Trn: 4425000176Es	- 150,582.40	116,956.35
06/26	06/26 Online Payment 3999434673 To Americas Servicing Company	- 4,098.85	112,857.50
06/26	06/26 Online Payment 3999431603 To Arizona Public Service	- 1,513.92	111,343.58
06/26	06/26 Online Payment 3999429005 To Ge Capital Retail Bank	- 1,500.00	109,843.58
06/26	06/26 Online Payment 3999418890 To Arizona Public Service	- 308.19	109,535.39
06/26	06/26 Online Payment 3999417110 To Paypal Buyer Credit	- 239.95	109,295.44
06/26	06/26 Online Payment 3999440555 To Toyota Financial Services - Loan	- 911.46	108,383.98
06/26	06/26 Online Payment 3999443152 To Southwest Gas Corporation	- 832.37	107,551.61
06/26	06/26 Online Payment 3999446759 To Verizon Wireless	- 107.58	107,444.03
06/26	06/26 Online Payment 3999438406 To City of Scottsdale AZ	- 5.48	107,438.55
06/27	Online Transfer From Chk ... 1151 Transaction#: 4001857842	300,000.00	407,438.55
06/27	06/27 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Imad: 0627B1Qgc08C016354 Trn: 4878700178Es	- 300,000.00	107,438.55
06/27	06/27 Online Payment 4002237907 To Putnam Leasing Company	- 3,194.92	104,243.63
06/30	ATM Surcharge Refund 06/28 Gca* Cliff Castle Camp Verde AZ Card 4108	2.75	104,246.38

## THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number Posting date Amount



CHASE PRIVATE CLIENT

May 31, 2014 through June 30, 2014

Account Number: 000000590218371

<b>TRANSACTION DETAIL</b>	(continued)
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DATE	DESCRIPTION	AMOUNT	BALANCE
06/30	ATM Surcharge Refund 06/28 Gca* Cliff Castle Camp Verde AZ Card 4108	2.75	104,249.13
06/30	Non-Chase ATM Withdraw 06/28 Gca* Cliff Castle Camp Verde AZ Card 4108	- 1,002.75	103,246.38
06/30	Non-Chase ATM Withdraw 06/28 Gca* Cliff Castle Camp Verde AZ Card 4108	- 1,002.75	102,243.63
06/30	Card Purchase 06/29 N Y Bagels And Deli Sedona AZ Card 4108	- 18.44	102,225.19
06/30	Check # 137	- 4,500.00	97,725.19
06/30	Citi Card Online Payment 111417870937107 Web ID: Citictp	- 640.22	97,084.97
06/30	Interest Payment	0.98	97,085.95
Ending Balance			\$97,085.95



## THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number Posting date Amount



CHASE PRIVATE CLIENT

May 31, 2014 through June 30, 2014

Account Number: 000000590218371

# BALANCING YOUR CHECKBOOK

**Note:** Ensure your checkbook register is up to date with all transactions to date whether they are included on your statement or not.

1. Write in the Ending Balance shown on this statement: **Step 1 Balance:** \$ \_\_\_\_\_

2. List and total all deposits & additions not shown on this statement:

Date	Amount	Date	Amount	Date	Amount

**Step 2 Total:** \$ \_\_\_\_\_

3. Add Step 2 Total to Step 1 Balance.

**Step 3 Total:** \$ \_\_\_\_\_

4. List and total all checks, ATM withdrawals, debit card purchases and other withdrawals not shown on this statement.

Check Number or Date	Amount	Check Number or Date	Amount

**Step 4 Total:** -\$ \_\_\_\_\_

5. Subtract Step 4 Total from Step 3 Total. This should match your Checkbook Balance: \$ \_\_\_\_\_

**IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR ELECTRONIC FUNDS TRANSFERS:** Call or write us at the phone number or address on the front of this statement (non-personal accounts contact Customer Service) if you think your statement or receipt is incorrect or if you need more information about a transfer listed on the statement or receipt. We must hear from you no later than 60 days after we sent you the FIRST statement on which the problem or error appeared. Be prepared to give us the following information:

- Your name and account number
- The dollar amount of the suspected error
- A description of the error or transfer you are unsure of, why you believe it is an error, or why you need more information.

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JPMorgan Chase Bank, N.A. Member FDIC

03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number 008270650644 Posting date 04-Jun-14 Amount 1232.87


97

YOMTOV S MENAGED 05-14  
10510 E SUNNYSIDE DR  
SCOTTSDALE, AZ 85259-2918

DATE 6/1/14

PAY TO THE ORDER OF SONORAN VISTA \$ 1232.87

Twelve Hundred Thirty Two and 87/100 DOLLARS

CHASE   
JPMorgan Chase Bank, N.A.  
www.Chase.com

MEMO #1126 MENAGED.

⑆122100024⑆ 590218371⑆ 0097

Sonoran Vista

DIC0021516



03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION  
GROUP ID G03Jan17-726  
Sequence number 002470399727 Posting date 12-Jun-14 Amount 30000.00

DEPOSIT TICKET

☒ CASH

DELIVER WITHIN 60 DAYS  
CHECKS MUST BE DEPOSITED WITHIN 60 DAYS OF THE DATE OF THE CHECK  
IF THE CHECK IS NOT DEPOSITED WITHIN 60 DAYS, THE BANK WILL BE RESPONSIBLE FOR THE COLLECTION OF THE CHECK

DATE 6/12/14  
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

SIGN HERE FOR CASH RECEIVED (IF REQUIRED) \*

**CHASE**  
JPMorgan Chase Bank, N.A.  
www.Chase.com

TOTAL FROM  
OTHER SIDE

SUB TOTAL

\* LESS CASH  
RECEIVED

\$ 30 000.00

⑆560101025⑆ 590218371⑈

156

CHECKS

TOTAL

\$

001/17

156

RECORD COPY FOR DEPOSIT SLIP AND CHECK

DIC0021517

03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION  
GROUP ID G03Jan17-726  
Sequence number 002470399728 Posting date 12-Jun-14 Amount 30000.00

CASH ONLY IF ALL CheckLock™ SECURITY FEATURES LISTED ON BACK INDICATE NO TAMPERING OR COPYING

Easy Investments LLC  
7320 W Bell Rd  
Glendale AZ 85308

U.S. BANK NATIONAL ASSOCIATION  
Five Star Service Guaranteed  
USbank.com  
91-515/1221

2072

6/12/14

PAY TO THE ORDER OF Yam Yv Menage \$30,000.00

Thirty Thousand DOLLARS

MEMO


⑈002072⑈ ⑆122105155⑆ 151704264457⑈

Details on Back

CheckLock™ Secure Check

DIC0021518

03Jan17-726


 a B14728546  
**YOMTOV S. MENAGED EX** 11/31/42  
 10510 E SUNNYSIDE DR.  
 SCOTTSDALE, AZ 85259-2918  
 91-2 244  
 1221  
 133  
 CHASE  
 PRIVATE  
 CLIENT  
 DATE 6/22/14  
 PAY TO THE ORDER OF SARAH HEART \$ 16,700.00  
SIXTEEN THOUSAND SEVEN HUNDRED DOLLARS  
 JPMorgan Chase Bank, N.A.  
 48848  
 MEMO CAN SAL + 30.  
 ⑆122100024⑆ 590218371⑈0133

**The security features listed below as well as those not listed, exceed industry guidelines.**

**Security Features:**

- MicroPrint Line
- Chemically Sensitive Paper
- Security Scram

**Results of document alterations:**

- **MR** Serials were not approved
- **MR** Serials were not approved
- Strands of Serials were not approved
- Adversely affected the document
- Verbiage on back of check

**FEDERAL RESERVE BOARD OF GOVERNORS REG. CO.**

ENDORSE HERE

PAY TO THE ORDER OF  
EARNHARDT NORTH SCOTTSDALE

dba EARNHARDT HYUNDAI NORTH SCOTTSDALE  
DO NOT WRITE ON THIS LINE  
RESERVED FOR YOUR USE \*

**DIC0021519**


03-Jan-17


03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number 004280058747 Posting date 30-Jun-14 Amount 4500.00

	<b>YOMTOV S. MENAGED</b>	91-2 244 1221	137
	10510 E SUNNYSIDE DR. SCOTTSDALE, AZ 85259-2918	DATE <u>6/27/14</u>	
	CHASE PRIVATE CLIENT		
	PAY TO THE ORDER OF <u>BMW North Scottsdale</u>	\$ <u>4500</u>	
	<u>Fourty Five Hundred</u>		
		DOLLARS	
JPMorgan Chase Bank, N.A.			
MEMO			
⑆ 1 2 2 1 0 0 0 2 4 ⑆ 5 9 0 2 1 8 3 7 1 0 1 3 7			

	Seq: 16	<b>Deposited only to</b> Penske Automotive Group Inc SUN MOTORS, LLC DBA BMW-MINI BMW-MINI NORTH SCOTTSDALE Deposited <b>PAY TO THE ORDER OF</b> BANK OF AMERICA GREENSBORO, NC 27410 LINE FOR DEPOSIT ONLY * SUN MOTORS, LLC DBA BMW-MINI NORTH SCOTTSDALE 22905954123
	Dep: 035499	
	Date: 06/30/14	
* FEDERAL RESERVE NOTE		
The security features listed below, as well as those listed in the industry guidelines, are not listed on this document.		
Results of document alteration: • No Small type in line appears as dotted line when photocopied or • Stains or spots may appear with chemical alteration • Absence of "Original Document" watermark on back of check		

DIC0021520

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION  
 GROUP ID G03Jan17-726  
 Sequence number Posting date Amount



**CHASE PRIVATE CLIENT**  
 JPMorgan Chase Bank, N.A.  
 P O Box 659754  
 San Antonio, TX 78265-9754

July 01, 2014 through July 31, 2014  
 Account Number: **000000590218371**

**CUSTOMER SERVICE INFORMATION**

Web site: Chase.com  
 Service Center: 1-888-994-5626  
 Deaf and Hard of Hearing: 1-800-242-7383  
 International Calls: 1-713-262-1679

00120070 DRE 601 141 21314 NNNNNNNNNNN T 1 000000000 69 0000  
 YOMTOV S MENAGED  
 10510 E SUNNYSIDE DR  
 SCOTTSDALE AZ 85259-2918



**CHECKING SUMMARY**

Chase Private Client Checking

	AMOUNT
<b>Beginning Balance</b>	<b>\$97,085.95</b>
Deposits and Additions	2,351,969.52
Checks Paid	- 34,657.75
ATM & Debit Card Withdrawals	- 66,807.00
Electronic Withdrawals	- 2,194,531.11
Fees and Other Withdrawals	- 43,000.00
<b>Ending Balance</b>	<b>\$110,059.61</b>
Annual Percentage Yield Earned This Period	0.01%
Interest Earned This Period	\$0.91
Interest Paid Year-to-Date	\$2.50

**CHECKS PAID**

CHECK NUMBER	DATE PAID	AMOUNT
132 ^	07/01	\$10.00
135 * ^	07/01	1,100.00
136 ^	07/07	8,047.75
191 * ^	07/21	23,000.00
311 * ^	07/07	1,500.00
312 ^	07/07	1,000.00
<b>Total Checks Paid</b>		<b>\$34,657.75</b>

If you see a check description in the Transaction Detail section, it means your check has already been converted for electronic payment. Because of this, we're not able to return the check to you or show you an image on Chase.com.

\* All of your recent checks may not be on this statement, either because they haven't cleared yet or they were listed on one of your previous statements.

^ An image of this check may be available for you to view on Chase.com

## THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number Posting date Amount



CHASE PRIVATE CLIENT

July 01, 2014 through July 31, 2014

Account Number: 000000590218371

## TRANSACTION DETAIL

DATE	DESCRIPTION	AMOUNT	BALANCE
	<b>Beginning Balance</b>		<b>\$97,085.95</b>
07/01	ATM Surcharge Refund 07/01 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	2.00	97,087.95
07/01	ATM Surcharge Refund 07/01 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	2.00	97,089.95
07/01	Online Transfer From Chk ...1151 Transaction#: 4010313774	61,000.00	158,089.95
07/01	07/01 Online Payment 4010079545 To City of Scottsdale AZ	- 671.85	157,418.10
07/01	07/01 Online Payment 4010086397 To Hpdirect.Com Preferred Financing	- 567.77	156,850.33
07/01	Non-Chase ATM Withdraw 07/01 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	- 1,002.00	155,848.33
07/01	Non-Chase ATM Withdraw 07/01 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	- 1,002.00	154,846.33
07/01	Check # 135	- 1,100.00	153,746.33
07/01	Check # 132	- 10.00	153,736.33
07/02	Deposit 1354307817	3,573.47	157,309.80
07/02	Card Purchase 07/01 Mcferran Home Furnishn 626-9619368 CA Card 4108	- 2,085.00	155,224.80
07/03	ATM Surcharge Refund 07/02 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	2.00	155,226.80
07/03	Non-Chase ATM Withdraw 07/02 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	- 1,002.00	154,224.80
07/07	Check # 136	- 8,047.75	146,177.05
07/07	Check # 311	- 1,500.00	144,677.05
07/07	Check # 312	- 1,000.00	143,677.05
07/08	ATM Surcharge Refund 07/07 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	2.00	143,679.05
07/08	Online Transfer From Chk ...1151 Transaction#: 4022991079	375,213.00	518,892.05
07/08	Non-Chase ATM Withdraw 07/07 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	- 1,002.00	517,890.05
07/08	07/08 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Imad: 0708B1Qgc05C005089 Trn: 4421600189Es	- 375,213.00	142,677.05
07/08	Citi Card Online Payment 111426492394506 Web ID: Citictp	- 5,906.21	136,770.84
07/09	ATM Surcharge Refund 07/08 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	2.00	136,772.84
07/09	Non-Chase ATM Withdraw 07/08 Gca* Casino Arizona Tal Scottsdale AZ Card 4108	- 1,002.00	135,770.84
07/10	Online Transfer From Chk ...1151 Transaction#: 4026798482	384,267.45	520,038.29
07/10	Online Transfer From Chk ...1151 Transaction#: 4027062581	40,000.00	560,038.29
07/10	07/10 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Imad: 0710B1Qgc02C005423 Trn: 4306000191Es	- 384,267.45	175,770.84
07/10	07/10 Online Wire Transfer Via: Bank of America, N.A./0959 A/C: Densco Investments Corp Chandler AZ 85226 US Ref: Paydown On Revolving Loan Ssn: 0413603 Trn: 4430400191Es	- 50,000.00	125,770.84
07/10	07/10 Withdrawal	- 3,000.00	122,770.84
07/11	Online Transfer From Chk ...1151 Transaction#: 4029073017	134,612.80	257,383.64
07/11	07/11 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Imad: 0711B1Qgc08C011679 Trn: 4385500192Es	- 134,612.80	122,770.84
07/14	Deposit 1354307893	22,965.00	145,735.84
07/14	Online Transfer From Chk ...1151 Transaction#: 4033396329	666,196.05	811,931.89
07/14	07/14 Online Payment 4031219031 To Desert Villa Landscape	- 1,660.00	810,271.89



THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION  
GROUP ID G03Jan17-726  
Sequence number Posting date Amount



CHASE PRIVATE CLIENT

July 01, 2014 through July 31, 2014  
Account Number: 000000590218371

**TRANSACTION DETAIL** (continued)

DATE	DESCRIPTION	AMOUNT	BALANCE
07/31	07/31 Fedwire Debit Via: Bk Amer Nyc/026009593 A/C: Densco Investment Corporation Ref: Pay Off On 104 West Night Glow DR Imad: 0731B1Qgc01C014458 Trn: 4478900212Es	- 391,726.00	110,795.15
07/31	07/31 Online Payment 4064467045 To City of Scottsdale AZ	- 736.45	110,058.70
07/31	Interest Payment	0.91	110,059.61
	Ending Balance		\$110,059.61



THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number	Posting date	Amount
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CHASE PRIVATE CLIENT

July 01, 2014 through July 31, 2014

Account Number: 000000590218371

## BALANCING YOUR CHECKBOOK

**Note:** Ensure your checkbook register is up to date with all transactions to date whether they are included on your statement or not.

1. Write in the Ending Balance shown on this statement: Step 1 Balance: \$ \_\_\_\_\_
2. List and total all deposits & additions not shown on this statement:

2. List and total all deposits & additions not shown on this statement:

Date	Amount	Date	Amount	Date	Amount

**Step 2 Total: \$**\_\_\_\_\_

3. Add Step 2 Total to Step 1 Balance. Step 3 Total: \$\_\_\_\_\_

4. List and total all checks, ATM withdrawals, debit card purchases and other withdrawals not shown on this statement.

[illegible]

**Step 4 Total:   -\$\_\_\_\_\_**

5. Subtract Step 4 Total from Step 3 Total. This should match your Checkbook Balance: \$\_\_\_\_\_

**IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR ELECTRONIC FUNDS TRANSFERS:** Call or write us at the phone number or address on the front of this statement (non-personal accounts contact Customer Service) if you think your statement or receipt is incorrect or if you need more information about a transfer listed on the statement or receipt. We must hear from you no later than 60 days after we sent you the FIRST statement on which the problem or error appeared. Be prepared to give us the following information:

- Your name and account number
- The dollar amount of the suspected error
- A description of the error or transfer you are unsure of, why you believe it is an error, or why you need more information.

We will investigate your complaint and will correct any error promptly. If we take more than 10 business days (or 20 business days for new accounts) to do this, we will credit your account for the amount you think is in error so that you will have use of the money during the time it takes us to complete our investigation.

**IN CASE OF ERRORS OR QUESTIONS ABOUT NON-ELECTRONIC TRANSACTIONS:** Contact the bank immediately if your statement is incorrect or if you need more information about any non-electronic transactions (checks or deposits) on this statement. If any such error appears, you must notify the bank in writing no later than 30 days after the statement was made available to you. For more complete details, see the Account Rules and Regulations or other applicable account agreement that governs your account.



**JPMorgan Chase Bank, N.A. Member FDIC**

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION  
GROUP ID G03Jan17-726  
Sequence number Posting date Amount



CHASE PRIVATE CLIENT

July 01, 2014 through July 31, 2014  
Account Number: 000000590218371

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03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number 009070204599 Posting date 01-Jul-14 Amount 1100.00

0

CHASE  
PRIVATE  
CLIENT

PAY TO THE  
ORDER OF

YOMTOV S. MENAGED  
10510 E SUNNYSIDE DR.  
SCOTTSDALE, AZ 85259-2918

DATE 6/23/14

135

\$ 1100.00

ONE THOUSAND ONE HUNDRED DOLLARS

JP Morgan Chase Bank, N.A.

MEMO Adoption Home Study

1221000241 5902183710135

\* FEDERAL RESERVE BOARD OF GOVERNORS REG. CC

The security features listed below, as well as those  
not listed, exceed industry guidelines.  
Security Features: Results of document authentication  
MP

WELLS FARGO BANK N.A. TEM  
20140630 E00099 PKT 04  
1221-0527-84  
1221000241

END OF SLIP  
PAY TO THE ORDER OF  
WELLS FARGO BANK, N.A.  
FOR DEPOSIT ONLY  
PAY TO THE ORDER OF  
5282815785  
DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE  
HE SECURED OFFICIALS MAY BE IDENTIFIED

DIC0021527

03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number 005380964519 Posting date 02-Jul-14 Amount 3573.47

**CHASE**

**DEPOSIT**

CHECKING ☐  
SAVINGS ☐  
CHASE LIQUID ☐

R/T 500001020

**DEPOSIT**

Today's Date

Customer Name (Please Print)

Sign Here (If cash is received from this deposit)

X

N13060-CH (Rev. 07/12) 40164125 04/14

Start your account number here

590218371

CASH

CHECK

TOTAL FROM  
OTHER SIDE

SUBTOTAL

CASH BACK

TOTAL \$

3,573.47

⑈ 1354307817 ⑈ ⑆ 500001020 ⑆

DIC0021528

03-Jan-17


03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number 005380964520 Posting date 02-Jul-14 Amount 1443.84

SANTA FE

 Salvatore Baratto  
Josephine Baratto  
10030 E Friess Dr  
Scottsdale, AZ 85260-7500

1658  
81-170/1221 AZ  
32088

July 1, 2014  
DATE

PAY TO THE ORDER OF Scott & Francine Managed \$ 1,443.84  
one thousand four hundred forty three <sup>84</sup>/<sub>100</sub> DOLLARS

**Bank of America**  
ACH R/T 122101708

FOR \_\_\_\_\_

**Live. laugh. Love.**  
*Salvatore Baratto*

1: 22101706: 457002611095 1658

Security Features Details on back

CREDED TO ACCOUNT OF  
WITHIN NAMED PAYEE  
FOR DEPOSIT ONLY  
JPMorgan Chase Bank, N.A.

DIC0021529

03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number 005380964521 Posting date 02-Jul-14 Amount 2000.00

THE FACE OF THIS DOCUMENT CONTAINS MICROPRINTING - THE BACKGROUND COLOR CHANGES - READ ALOUDLY AND CAREFULLY FROM TOP TO BOTTOM WITH THE DATE AT THE TOP

EASY INVESTMENTS LLC  
7320 W BELL RD  
GLENDALE AZ 85308

1502-4133  
Company  
EE ID: 5

52-153  
112

06/27/2014 8625000004

DATE CHECK NO.

VOID after 180 days

PAY TO THE  
ORDER OF

YOMTOV MENAGED  
10510 E SUNNYSIDE DR  
SCOTTSDALE AZ 85259

\*\*\$2000.00\*\*

AMOUNT

TWO THOUSAND AND 00/100 ..... DOLLARS

Bank of America  
Asheville, NC 28801

BANK OF AMERICA  
PAYABLE IF DESIRED AT:  
ALL BANK OF AMERICA BANKS

*[Signature]*

AUTHORIZED SIGNATURE(S)

Payroll by Paychex, Inc.

⑈8625000004⑈ ⑆011201539⑆ 2220014186⑈

TO VERIFY AUTHENTICITY OF THIS DOCUMENT, THE BACK CONTAINS A LATENT LINE THAT CHANGES FROM BLUE TO CUP AND ALSO CONTAINS AN ARTIFICIAL WATERMARK OF \$1.00 CAN BE VIEWED WHEN HELD AT AN ANGLE

0165835110

CREDITED TO ACCOUNT OF  
WITHIN NAMED PAYEE  
FOR DEPOSIT ONLY  
JP Morgan Chase Bank, N.A.

DIC0021530

03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION  
GROUP ID G03Jan17-726  
Sequence number 005380964522 Posting date 02-Jul-14 Amount 129.63

PIRACLE 800-621-5720 X357 THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER

<b>FATHOM</b> Global Water Management, LLC 21410 N 19th Ave, Suite 201 Phoenix AZ 85027 (623) 580-9600	Wells Fargo Bank, N.A. 115 Hospital Dr Van Wert, OH 45891	56-382 412	12704
--	---	---------------	-------

DATE 06/23/2014

\$ \*\*\*\*\*129.63

PAY One Hundred Twenty-Nine Dollars and 63/100 Cents

TO  
THE  
ORDER  
OF

YOMTOV MENAGED  
7320 W BELL RD  
GLENDALE AZ 85308

*James D. Bette*

THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK—HOLD AT AN ANGLE TO VIEW

⑈000012704⑈ ⑆041203824⑆9637481509⑈

ENDORSE HERE:  
CREDITED TO ACCOUNT OF  
WITHIN NAMED PAYEE  
FOR DEPOSIT ONLY  
JPMorgan Chase Bank N.A.

DO NOT WRITE, STAMP OR SIGN BEYOND THIS LINE  
RESERVED FOR FINANCIAL INSTITUTION USE

**Security Features:** Results by document alteration:  
Heat: Permanent Ink  
• Verification: Ink in "over-right hand" position, which is to be between the "over-right hand" and the "over-left hand" position.  
• Small size: The border on the back of the check appears as a brown line when photocopying.  
• Microprint Border: Small size: The border on the back of the check appears as a brown line when photocopying.  
• Security Screen: Absence of "Signal Document" watermark.  
• Chemical Reactive Paper: Shows a distinct black or brown color when exposed to ultraviolet light.  
• Watermark: Visible under UV light.

Item# LTR109 (09-07) 2R3157 (12/13)

DIC0021531

03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number 001080518408 Posting date 07-Jul-14 Amount 1500.00

30500 / 77880

91-2  
1221 244 . 311

YOMTOV S. MENAGED  
10510 E SUNNYSIDE DR.  
SCOTTSDALE, AZ 85259-2918

CHASE  
PRIVATE  
CLIENT

DATE 7/2/14

PAY TO THE ORDER OF Schoracher Mercedes \$ 1500.00

FIFTEEN HUNDRED DOLLARS

JPMorgan Chase Bank, N.A. 128503

MEMO Sold Mercedes SL550

122100024 5902183710311

The security features listed below, as well as those not listed, exceed industry guidelines.

Security Features

- Results of document authentication
- Microprint
- Color and texture
- Security thread

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE  
RESERVE FOR FINANCIAL INSTITUTION USE \*

FOR DEPOSIT ONLY  
SCHULACHER EUROPEAN LTD.  
13639022

DIC0021532



03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number 001080518409 Posting date 07-Jul-14 Amount 8047.75

30500177880

91-2  
1221-244

136

YOMTOV S. MENAGED  
10510 E SUNNYSIDE DR.  
SCOTTSDALE, AZ 85259-2918

CHASE  
PRIVATE  
CLIENT

DATE 6/26/14

PAY TO THE ORDER OF Schumacher Mercedes \$ 8047.75

Erik Thompson July 26 75 DOLLARS

JPMorgan Chase Bank, N.A.

MEMO 128503

1221000240 59021837100136

The security features listed below, as well as those not listed, exceed industry guidelines.

Security Features:

- Resistant to document alteration
- MP (Microprint)
- Clear and distinct text
- Security watermark
- Security thread
- Security color
- Security texture
- Security smell
- Security taste
- Security touch
- Security sight
- Security sound
- Security smell
- Security taste
- Security touch
- Security sight
- Security sound

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE  
RESERVE FOR FINANCIAL INSTITUTION USE \*

FOR DEPOSIT ONLY  
SCHUMACHER EUROPEAN LTD  
13639022

DIC0021533

03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number 008780824377 Posting date 14-Jul-14 Amount 22965.00

CHASE

DEPOSIT

CHECKING ☒  
SAVINGS ☐  
CHASE LIQUID ☐

R/T 500001020

Today's Date

Customer Name (Please Print)

CASH

CHECK

TOTAL FROM  
OTHER SIDE

SUBTOTAL

CASH BACK

TOTAL \$

DEPOSIT

Sign Here (If cash is received from this deposit)

X

N13950-CH (Rev. 07/12) 40164125 04/14

Start your account number here

5902/8371

22,965.00

⑈ 1354307893 ⑈ ⑆ 500001020 ⑆

DIC0021534

03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number 008780824378 Posting date 14-Jul-14 Amount 10465.00

<b>CASINO ARIZONA AT 101 AND INDIAN BEND</b>		20910
<b>JACKPOT ACCOUNT</b>		91-170/1221 AZ 2001
P. O. BOX 10099 SCOTTSDALE, AZ 85271 PH. 480-850-7777		DATE <u>7-11-2014</u>
PAY TO THE ORDER OF	<u>Yomtov Scott Menaged</u>	\$ <u>10465.00</u>
<u>Ten Thousand Four Hundred Sixty Five dollars and 00/100</u>		DOLLARS <input checked="" type="checkbox"/>
<b>Bank of America</b>		VOID AFTER 180 DAYS
ACH R/T 122101706		
FOR <u>J 48857</u>	<u>M# 11410</u>	<u>Doyle Unice</u>
⑈020910⑈ ⑆122101706⑆ 000253077665⑈		

DEPOSITED TO ACCOUNT OF  
WITH SIGNATURE  
JPMorgan Chase Bank, N.A.

DIC0021535

03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number 008780824379 Posting date 14-Jul-14 Amount 12500.00

<b>CASINO ARIZONA AT 101 AND INDIAN BEND</b>		20909
<b>JACKPOT ACCOUNT</b>		91-170/1221 AZ 2001
P. O. BOX 10000 SCOTTSDALE, AZ 85271 PH. 480-850-7777		DATE <u>7.11.2014</u>
PAY TO THE ORDER OF	<u>Yomtov Scott Menaged</u>	\$ <u>12500</u>
<u>Twelve thousand Five Hundred dollars and no<sup>00</sup>/100</u>		DOLLARS
<b>Bank of America</b>		VOID AFTER 180 DAYS
ACH B/T 122101706	FOR <u>J48809</u> <u>11416</u>	<u>Doyra Vinasell</u>
⑈020909⑈ ⑆122101706⑆ 000253077665⑈		

CREDITED TO ACCOUNT OF  
WITHIN 10 DAYS  
FOR JPMorgan Chase Bank, N.A.

DIC0021536

03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION

GROUP ID G03Jan17-726

Sequence number 005090335185 Posting date 21-Jul-14 Amount 23000.00

CHASE  
PRIVATE  
CLIENT  
PAY TO THE  
ORDER OF

YOMTOV S. MENAGED  
10510 E SUNNYSIDE DR.  
SCOTTSDALE, AZ 85259-2918

DATE 7/20/14

\$ 23,000.00

Twenty Three Thousand DOLLARS

JPMorgan Chase Bank N.A.

MEMO

122100024 5902183710191

95200000061259 - 072114

BMO Harris Bank N.A. >071000288<

ENDORSE HERE

Pay to The Order Of  
BMO Harris Bank NA  
For Deposit Only  
71000288

Bank Enterprise DBA Mark Mitsubishi Kia  
031126227

DIC0021537

03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION  
GROUP ID G03Jan17-726  
Sequence number 002470626135 Posting date 31-Jul-14 Amount 1443.84

CHASE 

DEPOSIT

CHECKING ☒  
SAVINGS ☐  
CHASE LIQUID ☐

R/T 500001020

Today's Date

Customer Name (Please Print)

Sign Here (If cash is received from this deposit) -----

X

N13060-CH (Rev. 07/12) 40230143 05/14

▼ Start your account number here

CASH ▶

CHECK ▶

TOTAL FROM  
OTHER SIDE ▶

SUBTOTAL ▶

→ CASH BACK ▶

TOTAL \$

DEPOSIT

7/31/14  
Yomtov (Scott) managed

590218371

1,443.84

1,443.84

⑈ 1374482689⑈ ⑆ 500001020 ⑆

DIC0021538

03-Jan-17

03Jan17-726

THIS ITEM IS PART OF A LEGAL STATEMENT RECONSTRUCTION  
GROUP ID G03Jan17-726  
Sequence number 002470626136 Posting date 31-Jul-14 Amount 1443.84

GRAND CANYON



Salvatore Baratto  
Josephine Baratto  
10030 E Friess Dr  
Scottsdale, AZ 85260-7500

1668

91-170/1221 AZ  
32098

Aug 1, 2014  
DATE

PAY TO THE  
ORDER OF

Scott & Francine Menaged  
One thousand, four hundred forty three <sup>84</sup>/<sub>100</sub>

\$ 1443 <sup>84</sup>/<sub>100</sub>

DOLLARS



Security  
Features  
Detailed on  
Back.

Bank of America

Live. Laugh. Love.

ACH R/T 122101708

FOR

Josephine Baratto

⑆ 122101706⑆ 457002611095⑈ 1668

Harland Clarke

CREDITED TO ACCOUNT OF  
WITHIN NAMED PAYEE  
FOR DEPOSIT ONLY  
JPMorgan Chase Bank, N.A.

DIC0021539

**Depo. Ex. 279**

**Filed Under Seal**



**Depo. Ex. 280**

**Filed Under Seal**

**Depo. Ex. 282**

**Filed Under Seal**

**Depo. Ex. 283**

**Filed Under Seal**

**Depo. Ex. 284**

**Filed Under Seal**

**Depo. Ex. 285**

**Filed Under Seal**

**Depo. Ex. 286**

**Filed Under Seal**

**Depo. Ex. 287**

**Filed Under Seal**

**Depo. Ex. 289**

**Filed Under Seal**



**Depo. Ex. 291**

**Filed Under Seal**

**Depo. Ex. 292**

**Filed Under Seal**

**Depo. Ex. 293**

**Filed Under Seal**

**Depo. Ex. 294**

**Filed Under Seal**

**Depo. Ex. 297**

**Filed Under Seal**

**Depo. Ex. 299**

**Filed Under Seal**

**Depo. Ex. 301**

**Filed Under Seal**

**Depo. Ex. 304**

**Filed Under Seal**



**Depo. Ex. 305**

**Filed Under Seal**

**Depo. Ex. 306**

**Filed Under Seal**

**Depo. Ex. 307**

**Filed Under Seal**

**Depo. Ex. 308**

**Filed Under Seal**

**Depo. Ex. 309**

**Filed Under Seal**

**Depo. Ex. 310**

**Filed Under Seal**

**Depo. Ex. 311**

**Filed Under Seal**

**Depo. Ex. 312**

**Filed Under Seal**



**Depo. Ex. 313**

**Filed Under Seal**

**Depo. Ex. 316**

**Filed Under Seal**

**Depo. Ex. 320**

**Filed Under Seal**

**Depo. Ex. 324**

**Filed Under Seal**

**Depo. Ex. 325**

**Filed Under Seal**

**Depo. Ex. 327**

**Filed Under Seal**

**Depo. Ex. 329**

**Filed Under Seal**

**Depo. Ex. 330**

**Filed Under Seal**



**Depo. Ex. 336**

**Filed Under Seal**

**Depo. Ex. 338**

**Filed Under Seal**

**Depo. Ex. 339**

**Filed Under Seal**

**Depo. Ex. 343**

**Filed Under Seal**

**Depo. Ex. 344**

**Filed Under Seal**

**Depo. Ex. 350**

**Filed Under Seal**

**Depo. Ex. 351**

**Filed Under Seal**

**Depo. Ex. 356**

**Filed Under Seal**



**Depo. Ex. 1733**

**Filed Under Seal**

**Depo. Ex. 1734**

**Filed Under Seal**