



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

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

December 23, 2016

TABLE OF CONTENTS

1. Background and Appointment of the Receiver	1
2. Receivership Activities	1
2.1. Administration of the DenSco Loan Portfolio	1
2.1.1. Non-Menaged Loans.....	1
2.1.2. Menaged Loans.....	2
2.2. Menaged 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
3. Menaged Fraud Investigation	7
3.1. The First Fraud.....	7
3.2. The Second Fraud	9
4. Solvency Analysis	10
5. DenSco Became a Ponzi Scheme	11
6. Modified Net Investment Analysis.....	12
6.1. Estimated Investor Recoveries.....	12
7. Receivership Accounting	13
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 2001.¹ 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.² DenSco issued Confidential Private Offering Memoranda (“POM”) to investors before or at the time of their investments.³ 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.⁴

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

¹ Arizona Corporation Commission report for file no. 09874884.
² CV 2016-014142; Verified Complaint; page 2, paragraph 6.
³ CV 2016-014142; Verified Complaint; page 2, paragraph 7.
⁴ 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
Total:			\$ 1,276,179.82

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").⁵ However, the property is also subject to a senior position lien in the principal amount of \$476,000.00 due to US Bank, NA.⁶ 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.

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

⁶ 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, 2016.⁷ 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”).⁸ On February 6, 2014, DenSCO loaned Menaged an additional \$177,352.68 secured by the Winter Property,⁹ 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”).¹⁰ 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, 2016.¹¹ 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”).¹² On February 5, 2014, DenSCO loaned Menaged an additional \$32,000.00 secured by Raintree Unit 1004,¹³ for a total of \$152,000.00. However, the property

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

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

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

¹⁰ 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).

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

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

¹³ 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”).¹⁴ On November 16, 2016, The Receiver advised Western Progressive Arizona, Inc., the Trustee under the Argent deed of trust,¹⁵ 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, 2016.¹⁶ 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”).¹⁷ On February 5, 2014, DenSco loaned Easy¹⁸ an additional \$52,000.00 secured by Raintree Unit 1020,¹⁹ 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.²⁰

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”).²¹

¹⁴ Deed of Trust (Maricopa County recorded document no. 20031616790).

¹⁵ Substitution of Trustee (20160384486).

¹⁶ Notice of Trustee’s Sale (Maricopa County recorded document no. 20160807170).

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

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

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

²⁰ 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).

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

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 27th Avenue in Phoenix, Arizona. In addition, the Receiver took possession and control of the existing warehouse located on 45th 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 27th Avenue warehouse; (2) \$24,851.12 in rent to SBMC Van Buren

Industrial, LLC for the 45th Avenue warehouse; (3) \$24,613.50 to Atlantic Relocation Systems to relocate the furniture assets from the Glendale and Goodyear stores to the 27th 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. Visitors to DenSco's original website (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.²² 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 examination²³ 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.²⁴ Menaged obtained a loan of \$264,100.00 from third party lender, Active Funding Group, LLC ("Active"), to purchase the property.²⁵ 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."

²² Forbearance Agreement, Section G (ACC000236),

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

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

²⁵ 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 receipts²⁶ 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
Total	\$ 15,001,843.42	96	\$ 734,484,440.67	2,712

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

²⁶ 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 \$98,873.28²⁷ 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

²⁷ 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.

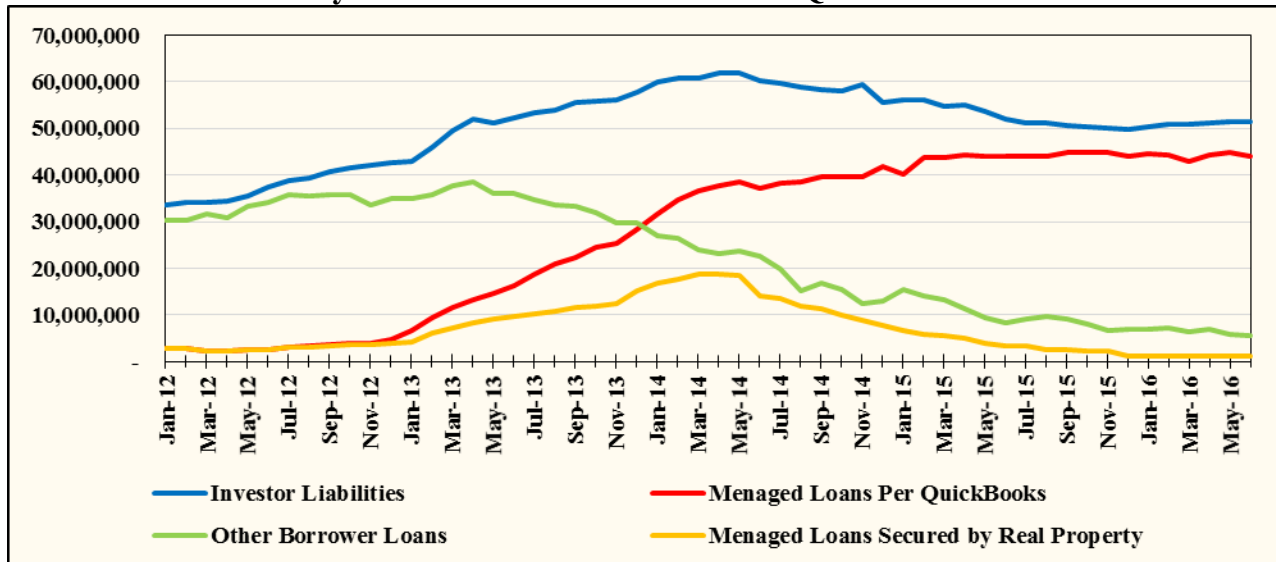
5. DenSCO Became a Ponzi Scheme

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, 2016.²⁸

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**



²⁸ 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.²⁹ 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

²⁹ 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

Bank Account Description	Balance
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
Total Cash Balance	\$ 5,642,830.88

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

Description	Amount	Reference
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	<u>4,081,745.33</u>	
Total Cash Collected	\$ 6,050,642.36	

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	<u>42,302.25</u>	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	<u>4,462.00</u>	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	<u>44.00</u>	
Total Cash Disbursed	\$ 407,811.48	

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. DenSco Investment Corporation

DenSco 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
ASSETS												
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	-
TOTAL ASSETS	33,802,558	34,240,730	34,431,878	34,773,261	35,836,582	37,889,777	39,352,313	39,964,832	41,531,830	42,456,324	42,970,889	42,911,770
LIABILITIES & EQUITY												
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
TOTAL LIABILITIES & EQUITY	33,802,558	34,240,730	34,431,878	34,773,261	35,836,582	37,889,777	39,352,313	39,964,832	41,531,830	42,456,324	42,970,889	42,911,770
EQUITY ADJUSTMENTS:												
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)

DenSco 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 DenSco Investment Corporation.
Miscellaneous public records research resources to determine purchase history of Menaged loans including the Maricopa County Assessor (<http://massessor.maricopa.gov/>); Maricopa County Recorder (<https://recorder.maricopa.gov/recdocdata/>); and Zillow.com.
Miscellaneous property records located in records recovered from Furniture King, LLC, et al. furniture stores.
DenSco Investment Corporation loan files.
Miscellaneous email correspondence between Denny Chittick and Yomtov Scott Menaged.

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

DenSco Investment Corporation
Solvency Analysis

Exhibit 1

	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
ASSETS												
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	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	43,599,539	46,758,270	50,213,012	53,111,894	52,611,993	53,947,715	55,196,530	56,138,292	58,061,069	58,492,213	58,538,181	58,896,955
LIABILITIES & EQUITY												
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
TOTAL LIABILITIES & EQUITY	43,599,539	46,758,270	50,213,012	53,111,894	52,611,993	53,947,715	55,196,530	56,138,292	58,061,069	58,492,213	58,538,181	58,896,955
EQUITY ADJUSTMENTS:												
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 DenSco Investment Corporation.
Miscellaneous public records research resources to determine purchase history of Menaged loans including the Maricopa County Assessor (<http://massessor.maricopa.gov/>); Maricopa County Recorder (<https://recorder.maricopa.gov/recdocdata/>); and Zillow.com.
Miscellaneous property records located in records recovered from Furniture King, LLC, et al. furniture stores.
DenSco Investment Corporation loan files.
Miscellaneous email correspondence between Denny Chittick and Yomtov Scott Menaged.

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

DenSco Investment Corporation
Solvency Analysis

Exhibit 1

	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
ASSETS												
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	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	60,866,817	61,814,210	61,542,593	62,700,327	62,840,955	61,511,766	61,198,560	60,630,733	60,323,748	60,402,371	61,668,527	59,336,656
LIABILITIES & EQUITY												
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
TOTAL LIABILITIES & EQUITY	60,866,817	61,814,210	61,542,593	62,700,327	62,840,955	61,511,766	61,198,560	60,630,733	60,323,748	60,402,371	61,668,527	59,336,656
EQUITY ADJUSTMENTS:												
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.

Sources:

QuickBooks company file for DenSco Investment Corporation.

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

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

DenSco Investment Corporation loan files.

Miscellaneous email correspondence between Denny Chittick and Yomtov Scott Menaged.

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

DenSCO Investment Corporation
Solvency Analysis

Exhibit 1

	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
ASSETS												
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	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	60,153,414	60,327,260	59,024,608	58,731,605	57,665,566	56,424,431	55,848,817	55,908,707	55,789,342	55,415,873	55,162,414	54,215,579
LIABILITIES & EQUITY												
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
TOTAL LIABILITIES & EQUITY	60,153,414	60,327,260	59,024,608	58,731,605	57,665,566	56,424,431	55,848,817	55,908,707	55,789,342	55,415,873	55,162,414	54,215,579
EQUITY ADJUSTMENTS:												
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 DenSCO Investment Corporation.
Miscellaneous public records research resources to determine purchase history of Menaged loans including the Maricopa County Assessor (<http://massessor.maricopa.gov/>); Maricopa County Recorder (<https://recorder.maricopa.gov/recdocdata/>); and Zillow.com.
Miscellaneous property records located in records recovered from Furniture King, LLC, et al. furniture stores.
DenSCO Investment Corporation loan files.
Miscellaneous email correspondence between Denny Chittick and Yomtov Scott Menaged.

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

DenSco Investment Corporation
Solvency Analysis

Exhibit 1

	01/31/16	02/29/16	03/31/16	04/30/16	05/31/16	06/30/16
ASSETS						
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	-	-	-	-	-	-
TOTAL ASSETS	54,752,338	55,410,725	55,417,857	55,391,286	55,608,874	55,568,359
LIABILITIES & EQUITY						
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
TOTAL LIABILITIES & EQUITY	54,752,338	55,410,725	55,417,857	55,391,286	55,608,874	55,568,359
EQUITY ADJUSTMENTS:						
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 DenSco Investment Corporation.
Miscellaneous public records research resources to determine purchase history of Menaged loans including the Maricopa County Assessor (<http://mcessor.maricopa.gov/>); Maricopa County Recorder (<https://recorder.maricopa.gov/recdocdata/>); and Zillow.com.
Miscellaneous property records located in records recovered from Furniture King, LLC, et al. furniture stores.
DenSco Investment Corporation loan files.
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 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)
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, Coralee	1,260,000.00	-	500,100.09	-	1,760,100.09	-	(412,146.19)	822,866.39	-	1,760,100.09	(412,146.19)	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 Bungler	-	-	-	-	-	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 Bungler 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, Kennen - 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
Trainor, 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	(173,566.80)	325,614.34
Weiskopf, Laurie - 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 & Tomie 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 & Sharry 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 Hahn 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
Kasier, 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 Wenig	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	-	184,220.68	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	-	274,443.16	-	(91,772.64)	121,741.61	-	274,443.16	(91,772.64)	182,670.52
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	146,365.89	-	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	20,000.00	(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
Detota, 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 Einck 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
LJL 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, Kennen	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 LLC / 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	83,360.78	-	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
Tuttle, 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
Swirtz, 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	50,000.00	-	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	-	-	20,588.52	-	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)
Kimble, 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 Baughman	-	-	-	-	-	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)
Subtotal	48,959,180.17	(26,631,944.49)	17,463,665.88	-	39,790,901.56	36,129,814.48	(46,406,985.26)	22,075,052.28	-	39,790,901.56	(10,277,170.78)	29,513,730.78
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	-	-	-	-	-	-	-	-
Subtotal	60,591,047.57	(60,985,934.54)	2,458,508.34	716,313.74	2,779,935.11	48,133,702.30	(50,868,381.89)	1,205,661.97	(1,250,917.49)	2,779,935.11	(2,734,679.59)	45,255.52
Grand Total	109,550,227.74	(87,617,879.03)	19,922,174.22	716,313.74	42,570,836.67	84,263,516.78	(97,275,367.15)	23,280,714.25	(1,250,917.49)	42,570,836.67	(13,011,850.37)	29,558,986.30

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.