John E. DeWulf (006850)
Marvin C. Ruth (024220)
Vidula U. Patki (030742)
COPPERSMITH BROCKELMAN PLC
2800 North Central Avenue, Suite 1900
Phoenix, Arizona 85004
T: (602) 224-0999
F: (602) 224-0620
jdewulf@cblawyers.com
mruth@cblawyers.com
vpatki@cblawyers.com

Attorneys for Defendants

SUPERIOR COURT OF ARIZONA

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 **DEFENDANTS' RESPONSE TO PLAINTIFF'S CONTROVERTING STATEMENT OF FACTS** (Assigned to the Honorable Daniel Martin)

Pursuant to Arizona Rule of Civil Procedure 56(c)(3), Defendants respond to Plaintiff's Controverting Statement of Facts and Additional Facts ("CSOF") In Opposition to Defendants' Cross-Motion for Summary Judgment On In Pari Delicto by identifying which of Plaintiff's Additional Statement of Facts are controverted. Exhibits supporting disputed facts are cited as "DCSOF Ex. __." Many of the exhibits noted with a DCSOF exhibit number have previously been included as attachments to other filings before the Court. Though Ariz. R. Civ. P. 5.1(c)(2)(D) encourages parties to cite to those attachments included in previous filings, given the number of pending motions and voluminous exhibits attached to those filings, exhibits have been attached here again for ease of reference.

OBJECTIONS

1. To the extent the Receiver cites to any of Denny Chittick's purported "business" or "corporate" journals or suicide letters, Defendants object on hearsay grounds as those documents are self-serving, demonstrably untrue and inadmissible. Defendants incorporate herein their briefing on their Motion in Limine to preclude use of those journals and letters under Rule of Evidence 807, which was denied without prejudice. Defendants dispute all "facts" that rely on Chittick's journals and letters.

2. Defendants object that the Receiver's Controverting Statement of Facts violates Ariz. R. Civ. P 56(3)(A), which requires that the Receiver set forth facts "in concise, numbered paragraphs" that "cite the specific part of the record where support for each fact may be found." Many of the Receiver's "facts" are purportedly supported by reference to several, if not dozens, of other statements of fact filed in support of other motions, which themselves then cite multiple documents, opinions, and deposition excerpts. Neither Defendants (nor the Court) are required to wade through multiple levels of citation to ascertain the support for an alleged "fact."

3. Defendants object that most of the "facts" listed in the Controverting Statement of Facts are in fact argument or opinions regarding Defendants' standard of care that are flatly refuted by Defendants' experts, Scott Rhodes and Kevin Olson. Defendants dispute all of the Receiver's conclusory assertions that Defendants acted below the standard of care.

PLAINTIFF'S ADDITIONAL STATEMENT OF FACTS

60. Disputed. Plaintiff's characterization of DenSco as a purportedly "high-risk" client is not a "fact," but an opinion expressed in an expert report that has been refuted by Defendants' expert and that ignores significant facts relating to DenSco. For example, while DenSco operated in a regulated industry, at the time the 2011 Private Offering Memorandum ("POM") was issued, DenSco had funded more than $300 million in loans

without significant issue, all while being a "One-Man Shop" wholly controlled by Denny Chittick. CSOF Ex. 2 ("Wertlieb Report") at p. 42. Denny Chittick was also universally recognized by investors prior to his death as a talented and hardworking man, who operated DenSco professionally and who disclosed to his investors that he operated DenSco on his own and that DenSco's growth could challenge the company's management and resources. DCSOF Ex. 1 (Excerpts of investor depositions); DCSOF Ex. 2 (2011 POM) at DIC0004509. Defendants also object to any inference that Defendants should have substituted their own business judgment for that of their client, including making business decisions regarding DenSco's staffing. As local securities expert Kevin Olson explains, while DenSco had some characteristics of a high-risk business, Chittick had shown himself to have "the ability to manage through the most difficult real estate market since at least World War II – a market that brought down may hard-money lenders and others who were in less risky parts of the real estate industry." DCSOF Ex. 3 (Rebuttal Expert Opinion of Kevin Olson) at ¶ 6. Defendants also dispute that there was confusion as to who Defendants' client was or that there was a conflict. DCSOF Ex. 4 (Rhodes Report) at ¶ 27. *Objection: irrelevant and argumentative.*

61. Disputed. Plaintiff's Paragraph 61 is not a fact but controverted expert opinion about what Defendants "should" have done given the Plaintiff's characterization of DenSco as a purported "high-risk" client. The opinion expressed is Paragraph 61 is flatly contradicted by the Preliminary Expert Declaration of J. Scott Rhodes ("Rhodes Report"). The Rhodes Report notes, among other things, that under Arizona's Ethical Rules, lawyers representing an organization are advisors only, not regulators who are required to do "much more monitoring and counseling than would otherwise be the case." DCSOF Ex. 4 at ¶¶ 30-32. *Objection: irrelevant, argumentative, legal conclusion.*

62. Disputed in part. While Beauchamp did securities work for DenSco starting in approximately 2003, including work on the 2003, 2005, 2007, 2009 and 2011 POMs,

there is no evidence that Beauchamp was "DenSco's securities lawyer" after May 2014. DCSOF Ex. 5 (Defendants Eighth Supplemental Disclosure Statement) at p. 6. Defendants further object to any inference that the POMs were solely the product of Beauchamp's work. The POMs required significant input from DenSco, and required information, documentation, and explanation that was solely in DenSco's possession. Defendants' attempts to update the 2011 POM in the summer of 2013 and the spring of 2014 failed, in part, due to Chittick's failure to provide such information. (Defendants' Statement of Facts In Support of Their Motions for Summary Judgment on (1) Joint and Several Liability and (2) Aiding and Abetting ¶ 21).

63. Disputed in part. Though the 2011 POM that Beauchamp prepared recited the number of loans DenSco had made annually since its inception in 2001 up until June 30, 2011, it does not include a projection regarding the total loans that DenSco would make in 2011 or any evidence that Beauchamp knew anything about loans made after the 2011 POM was drafted. DSCOF Ex. 2 at p. DIC0004506. Defendants further dispute any inference that the increase in DenSco lending was a "red flag," rendered DenSco as "high risk" client, or otherwise obligated Defendants to investigate DenSco's business practice or question Chittick's business judgment. Denny Chittick was universally recognized by investors prior to his death as a talented and hardworking man, who operated DenSco professionally and who disclosed to his investors that he operated DenSco on his own and that DenSco's growth could challenge the company's management and resources. DCSOF Ex. 1 (Excerpts of investor depositions); DCSOF Ex. 2 (2011 POM) at DIC0004509.

64. Disputed in part. The 2011 POM contained no "expiration" date. Rather, it explained that DenSco "intends to offer the Notes on a continuous basis until the earlier of (a) the sale of the maximum offering, or (b) two years from the date of this memorandum; provided, however, the Company reserves the right to amend, modify and/or terminate this

offering if the Company changes its operations or method of offering in any material respect." DCSOF Ex. 2 at p DIC0004462.

65. Disputed. Paragraph 65 has no evidentiary support. Plaintiff points to paragraphs 19-20 in the 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 to support its assertions, but those paragraphs cite to a *2007* email in which Beauchamp is responding to an individual inquiry regarding DenSco and its offerings. That email has no bearing on what Beauchamp knew about investors rolling over money in 2011. Moreover, that email indicates that Beauchamp historically had no knowledge regarding the status of roll-over investments. DCSOF Ex. 6 (June 15, 2007 email exchange between Beauchamp and R. Carney) at DIC0002470 ("Since DenSco has regular roll-over investments, there have *probably* been sales within the last six months. *Although I have not confirmed with Denny, there have probably also been some sales since June 1,* due to the regular roll-over of investors.") (emphasis added). There is no evidence that Beauchamp ever had access to DenSco financial or business records prior to Chittick's death.

66. Disputed. Though Chittick sent Beauchamp an email on March 17, 2013, it did not ask about starting the POM. Instead, Chittick wrote, "we'll get together in april [sic] and start on our project again!" DCSOF Ex. 7 (March 17, 2013 email from Chittick to Beauchamp) at BC_001906. Beauchamp started working on an updated 2013 POM in May 2013 and worked on those updates through August 2013. DCSOF Ex. 8 (June 2013 Bryan Cave invoices); DCSOF Ex. 9 (July 2013 Bryan Cave invoices); DCSOF Ex. 11 (August 2013 Bryan Cave invoices). *Objection: vague.*

67. Disputed. Vague as to meaning of "preliminary steps," "new POM," and "reasonable securities []." Contemporaneous billing invoices from May, June and July 2013 evidence that Beauchamp did significantly more than take "some preliminary steps to

prepare a new POM." Beauchamp worked to update the POM on June 14, June 25, July 12, July 15, July 17, July 23 and July 25. DCSOF Ex. 8 (June 2013 Bryan Cave invoices); DCSOF Ex. 9 (July 2013 Bryan Cave invoices). He had circulated a preliminary updated draft of the POM by June 25, 2013, as a colleague noted in her billing records that she "[r]eview[ed] draft of 2013 offering memorandum." *Id.* at BC_003084. Beauchamp's testimony also contradicts Plaintiff's opinion and legal conclusion that he "did not conduct due diligence that a reasonable securities [sic] would have done to prepare a new POM for an entity issuing hundreds of loans." Beauchamp noted that in updating the 2011 POM, he "reviewed the file and the previous files with respect to status of disclosure items, background information." DCSOF Ex. 10 (Beauchamp Depo. Tr.) at 285:24 – 286:2. In any event, Plaintiff has proferred no evidence to support its assertion that Beauchamp did not do the due diligence required, as the statement of facts paragraphs cited have no evidentiary support. Plaintiff further has submitted no evidence as to what "due diligence" was purportedly required. Defendants object to any suggested inference that Defendants were required to conduct further due diligence on DenSco business or Chittick's business judgment, or that Defendants were required to draft a "new POM," rather than update the prior POM. *Objection: vague, legal conclusion.*

68. Disputed and vague as to the meaning of "limited work". Contemporaneous billing invoices from July and August 2013 evidence that Beauchamp did significantly more than "some limited work on an updated POM." Beauchamp worked to update the POM on July 12, July 15, July 17, July 23, July 25 and August 6. DCSOF Ex. 9 and DCSOF Ex. 11 (August 2013 Bryan Cave invoices). Defendants further dispute that the "expiration" of the 2011 POM rendered it unusable. *Objection: vague.*

69. Disputed in part. Defendants admit that Beauchamp left Bryan Cave in August 2013. Beyond that, Plaintiff cites no evidence that Beauchamp was "preoccupied with changing law firms." To the contrary, Beauchamp explicitly testified that after he was

asked to leave Bryan Cave, his "first priority was to [his] clients, as it's ethically required" and that he continued to "focus[] on client matters" as he transitioned from Bryan Cave to Clark Hill. Defendants also dispute any inference that Beauchamp was "asked to leave" for any reason other than the realization between Beauchamp and Bryan Cave that his practice and Bryan Cave were not a good fit. DCSOF Ex. 10 at 43:20-21, 45:25-46:1 and 46:11-12. *Objection: Irrelevant, argumentative.*

70. Disputed. The documents cited, including the complaint Chittick provided to Beauchamp, do not support the stated "fact," because the documents did not allege that Menaged had double-liened a property, nor do they allege that DenSco's lien was subordinate. On June 14, 2013, Chittick sent Beauchamp the first four pages of the complaint in the Freo lawsuit and wrote: "I have a borrower, to which I've done a ton of business with, millions in loans and hundreds of loans for several years, he's getting sued along with me. He bought a property at auction, was issued a trustee's deed, I put a loan on it. Evidently the trustee had already sold it before the auction and received money on it . . . ." Chittick did not ask Beauchamp to take any action with respect to the Freo lawsuit, writing instead that he "just wanted [Beauchamp] to be aware of it." DCSOF Ex. 12 (Partial Freo Complaint and accompanying June 14, 2013 email from Chittick to Beauchamp). The Freo lawsuit did not concern lien priority or double encumbering of properties, and would not have put anyone on notice otherwise. DCSOF Ex. 13 (Expert Report of Kevin Olson) at p. 15 ("neither the information in the FREO lawsuit, nor the information Mr. Chittick shared with Beauchamp about the FREO lawsuit, would have or should have prompted Mr. Beauchamp to raise additional concerns about DenSco's business practices").

71. Disputed in part. Defendants do not dispute that the email includes the language quoted in Paragraph 71, but the citation is incomplete and lacks context. The full paragraph of the cited email explains, "Easy Investments, has his attorney working on it,

i'm ok to piggy back with his attorney to fight it, Easy Investments willing to pay the legal fees to fight it. I just wanted you to be aware of it, and talk to his attorney. Contact info is below." DCSOF Ex. 12. Chittick then forwarded that email to Menaged and told Menaged that "I'm going to keep [Beauchamp] from running up any unessary [sic] bills, just talk to your guy and hadn [sic] if off ot [sic] him." DCSOF Ex. 14 (June 14, 2013 email from Chittick to Menaged). Defendants object to any inference that Chittick wanted Beauchamp to perform any legal work with respect to the FREO complaint.

72. Disputed in part. Though Beauchamp received a copy of the Freo lawsuit which includes the quoted language, the Freo lawsuit did not focus on double liens, and Chittick did not ask Beauchamp to investigate the underlying allegations of the lawsuit. DCSOF Ex. 13 at p. 15 ("neither the information in the FREO lawsuit, nor the information Mr. Chittick shared with Beauchamp about the FREO lawsuit, would have or should have prompted Mr. Beauchamp to raise additional concerns about DenSco's business practices").

73. Disputed. Paragraph 73 contains no facts and Plaintiff has provided no evidence that the Freo complaint put Beauchamp on notice that the 2011 POM was materially misleading or that "DenSco was not following the 'proper method and procedures for funding a loan.'" The Freo lawsuit did not relate to lien priority or double encumbering of properties. Chittick additionally explained the alleged reason the lawsuit had arisen, which related only to a single property. DCSOF Ex. 12, DCSOF Ex. 13 (Expert Report of Kevin Olson) at p. 15 ("neither the information in the FREO lawsuit, nor the information Mr. Chittick shared with Beauchamp about the FREO lawsuit, would have or should have prompted Mr. Beauchamp to raise additional concerns about DenSco's business practices"). *Objection: Argumentative.*

74. Disputed in part and vague as to what Plaintiff is referring to when he states that "this" would be material. Defendants admit Beauchamp informed Chittick that the *fact*

of the lawsuit would have to be disclosed in an updated POM. DenSco's POMs provided short explanations as to whether collateral was foreclosed on, or if loans did not yield a profit. The POM would then provide an explanation as to how that particular loan loss affected the company. DCSOF Ex. 2 at DIC0004505-4508. Chittick responded that "1 sentence should suffice!" DCSOF Ex. 16 (June 14, 2013 email exchange between Chittick and Beauchamp). A cursory reference to the lawsuit was appropriate given that a motion for summary judgment was granted in favor of Easy Investments on January 6, 2013. DCSOF Ex. 17 (Minute Entry (CV 2013-007663)). There is no evidence that Beauchamp was suggesting that DenSco was required to disclose double liening issues or the alleged failure to follow "the proper method and procedures for funding a loan" because the FREO complaint would not have put him on notice of such issues in any event. DCSOF Ex. 13 at p. 15 ("neither the information in the FREO lawsuit, nor the information Mr. Chittick shared with Beauchamp about the FREO lawsuit, would have or should have prompted Mr. Beauchamp to raise additional concerns about DenSco's business practices"). *Objection: vague*.

75. Disputed. Beauchamp did not investigate the underlying allegations in the Freo complaint or represent DenSco in the litigation because Chittick did not request such advice or assistance, nor was it needed. DCSOF Ex. 12; DCSOF Ex. 13 at p. 15 ("neither the information in the FREO lawsuit, nor the information Mr. Chittick shared with Beauchamp about the FREO lawsuit, would have or should have prompted Mr. Beauchamp to raise additional concerns about DenSco's business practices"). To the contrary, Chittick noted that he only wanted Beauchamp "to be aware" of the lawsuit. *Id.* Having reviewed the complaint, and after talking with Chittick, Beauchamp also reminded Chittick that he should fund loans directly to the trustee or escrow company conducting the sale, rather than provide loan funds directly to the borrower. DCSOF Ex. 10 at 59:3-12 and 252-253, 305:12-19. Plaintiff's assertion that this advice constitutes an "admission that Beauchamp

knew in June 2013 that the 2011 POM was materially misleading" has no evidentiary support and is argument, not fact. *Objection: Irrelevant and argumentative.*

76. Disputed in part. Beauchamp did not investigate the underlying allegations in the Freo complaint or represent DenSco in the litigation because Chittick did not request such advice or assistance, nor was it necessary. DCSOF Ex. 12; DCSOF Ex. 13 at p. 15 ("neither the information in the FREO lawsuit, nor the information Mr. Chittick shared with Beauchamp about the FREO lawsuit, would have or should have prompted Mr. Beauchamp to raise additional concerns about DenSco's business practices"). Defendants object to an inference that Beauchamp was required to conduct any further investigation. Further, Paragraph 76 is not a statement of fact, but merely hypothesizes about what Beauchamp purportedly would have discovered had he engaged in some hypothetical conduct. *Objection: Irrelevant and argumentative, incomplete hypothetical.*

77. Disputed. Paragraph 77 contains no facts, cites no supporting evidence, and is purely argumentative. There is no evidence that there was a conflict of interest with Easy Investments' attorney representing both DenSco and Easy Investments, given the issues in the case. DCSOF Ex. 12. In fact, there was no conflict of interest. DenSco and Menaged's entity, Easy Investments, were not adverse in the FREO litigation. *Objection: Argumentative.*

78. Disputed. The 2011 POM was not updated at the direction of Chittick. Chittick failed to provide the business and financial information needed to update the POM. DCSOF Ex. 10 at 74:16-75:2, 287:22-24, 289:18-22. Defendants further dispute that the FREO lawsuit itself was a material fact that needed to be disclosed. DenSco's POMs provided short explanations as to whether collateral was foreclosed on, or if loans did not yield a profit. The POM would then provide an explanation as to how that particular loan loss affected the company. DCSOF Ex. 2 at DIC0004505-4508. Whether a single loan on a single property was foreclosed on was not (and is not) itself material.

79. Disputed. Defendants object that Plaintiff's statement of "fact" is vague as to what "material" change existed from the 2011 POM, or what "materially incorrect" information Beauchamp purportedly knew about. First, the 2011 POM did not "expire". *See* Response to Paragraph 64. Second, Beauchamp did not know that the 2011 POM was materially incorrect as of July 1, 2013. The only information that had not been disclosed in an updated POM was the fact of the Freo lawsuit. As discussed, the Freo lawsuit did not concern lien priority or double encumbering of properties, and would not have put anyone on notice that there were "materially incorrect" statements in the POM. DCSOF Ex. 13 at p. 15 ("neither the information in the FREO lawsuit, nor the information Mr. Chittick shared with Beauchamp about the FREO lawsuit, would have or should have prompted Mr. Beauchamp to raise additional concerns about DenSco's business practices"). *See generally* Response to Paragraphs 72-78. Chittick himself noted that the Freo lawsuit would be discussed in a single sentence in the updated POM. DCSOF Ex. 16. Finally, Beauchamp had long advised DenSco since the inception of the attorney-client relationship that proper disclosures had to be made to investors, of which Chittick was indisputably aware. DCSOF Ex. 5 at p. 6. *Objection: Argumentative, vague.*

80. Disputed. Plaintiff's summary of the email is vague and incomplete. Chittick sent Beauchamp an email on December 18, 2013 that stated: "since you moved, we've never finished the update on the memorandum. Warren is asking where it is." DCSOF Ex. 18 (December 18, 2013 email from Chittick to Beauchamp). The email did not acknowledge that Beauchamp had halted work on updating the POM at the behest of Chittick. DCSOF Ex. 10 at 74:16-75:2, 287:22-24, 289:18-22. Defendants object to the suggested inference that Defendants were asked to work on the 2013 POM in the interim. The 2011 POM was not updated at the direction of Chittick, who failed to provide the business and financial information needed to update the POM. DCSOF Ex. 10 at 74:16-

75:2, 287:22-24, 289:18-22. *Objection*: *argumentative, vague, incomplete, legal conclusion.*

81. Disputed in part. Paragraph 81 is purely argument. Defendants are not "claiming" anything. Defendants have provided information regarding the contents of the December 2013 phone call. DCSOF Ex. 5 at p. 9. As expert Olson opined, "Under these circumstances, I do not believe there was sufficient information from which Mr. Beauchamp could surmise that there was a systemic issue regarding double liening at DenSco. I also believe that Mr. Beauchamp could reasonably believe…that Mr. Chittick would handle this as a business matter and keep Mr. Beauchamp reasonably apprised." DCSOF Ex. 13 at p. 16-17. *Objection: Irrelevant and argumentative*.

82. Disputed. Paragraph 82 contains no facts and is pure argument. Further, Beauchamp reminded Chittick during the conversation that he still needed to update DenSco's POM in that telephone call, but did nothing more at his client's direction. DCSOF Ex. 5 at p. 9. Defendants dispute the inference that the phone call required Beauchamp to conduct any investigation, that Defendants' client asked Defendants to perform an investigation, or that Defendants should have determined as a result of Chittick's minimal disclosure during the phone call that DenSco was suffering from systemic problems. As expert Olson opined, "Under these circumstances, I do not believe there was sufficient information from which Mr. Beauchamp could surmise that there was a systemic issue regarding double liening at DenSco. I also believe that Mr. Beauchamp could reasonably believe…that Mr. Chittick would handle this as a business matter and keep Mr. Beauchamp reasonably apprised." DCSOF Ex. 13 at p. 16-17. *Objection: Irrelevant and argumentative*.

83. Disputed in part. Beauchamp has testified that Chittick instructed him to hold off on additional work to update the 2013 POM in August and September 2013. The

remaining statements in Paragraph 83 contain no facts and are purely argument. *Objection: Irrelevant and argumentative*.

84. Disputed. Paragraph 84 contains no facts and is pure opinion and argument. Further, Defendants experts disagree. DCSOF Ex. 13 at p. 30 ("Mr. Beauchamp properly advised DenSco about nature, timing, and necessity of disclosures of material information to investors (including new and rollover investors) and his advice in this respect was consistent with the law and regulations and . . . met the standard of care."). *Objection: Irrelevant, argumentative, legal conclusion*.

85. Disputed. Paragraph 85 contains no facts and is pure opinion and argument. Plaintiff is required to set out individual statements of fact supported by evidence. Paragraph 85 is argument purportedly supported by 34 separate statements of fact included in a prior pleading. Defendants dispute that they fell below the standard of care or aided and abetted any breaches of fiduciary duty. DCSOF Ex. 13; DCSOF Ex. 4. *Objection: Irrelevant and argumentative*.

86. Disputed and vague. Paragraph 86 contains no facts, is pure argument, and fails to cite any supporting evidence. Further, it's unclear what "this knowledge" or "what was known" are supposed to refer to. Defendants dispute that they fell below the standard of care or aided and abetted any breaches of fiduciary duty. DCSOF Ex. 13; DCSOF Ex. 4. *Objection: Irrelevant and argumentative*.

87. Disputed. Paragraph 87 contains no facts and is pure opinion and argument, the inferences of which are contradicted by Defendants' experts. DCSOF Ex. 13 at p. 30. Defendants dispute that they fell below the standard of care or aided and abetted any breaches of fiduciary duty. DCSOF Ex. 13; DCSOF Ex. 4. *Id. Objection: Irrelevant, argumentative, legal conclusion.*

88. Disputed. Paragraph 88 contains no facts and is merely a summary of their expert's opinion, that is contradicted by Defendants' experts. DCSOF Ex. 13 at p. 30.

Defendants dispute that they fell below the standard of care or aided and abetted any breaches of fiduciary duty. DCSOF Ex. 13; DCSOF Ex. 4. *Objection: Irrelevant, argumentative, legal conclusion.*

89. Disputed. Paragraph 89 contains no facts and is merely a summary of their expert's opinion that is contradicted by Defendants' experts. DCSOF Ex. 13 at p. 30. Defendants dispute that they fell below the standard of care or aided and abetted any breaches of fiduciary duty. DCSOF Ex. 13; DCSOF Ex. 4. *Objection: Irrelevant, argumentative, legal conclusion.*

90. Disputed and vague as what "advice" Plaintiff is asserting Defendants did not provide. Beauchamp met with Chittick and Menaged on January 9, 2014 to discuss the double liening issue. The meeting followed a January 7, 2014 email in which Chittick provided some preliminary details relating to the double liening. The email explained that DenSco had "been lending to [Menaged] through a few different LLC's and his name since 2007. I've lent him 50 million dollars and i have never had a problem with payment or issue that hasn't been resolved." The email went on to explain that in the prior year, Menaged's wife had become "ill with cancer" and Menaged's cousin "took on a stronger day to day role as [Menaged] was distracted with his wife." The cousin soon began double encumbering properties and then fled the country with any excess money. The email went on explain that Menaged and Chittick had devised and implemented a plan to resolve the double encumbering. DCSOF Ex. 19 (January 7, 2014 email from Chittick to Beauchamp) at DIC0007135-7318. At the January 9, 2014 meeting, Chittick and Menaged reiterated the details provided in the January 7 email. Contemporaneous notes kept by Beauchamp of that meeting recite that Chittick and Menaged asserted that Menaged's cousin was responsible for the double liening problem, that issues with 10% of the double liened properties had been resolved "in [the] last 45 days" pursuant to a plan developed earlier, and that there were likely between 100 and 125 properties effected. DCSOF Ex. 20

(January 9, 2014 Beauchamp notes). Contrary to Plaintiff's statement, Chittick and Menaged had already entered into a work out agreement, and were performing on that agreement, by the time of the meeting. DCSOF Ex. 19. Defendants dispute that they fell below the standard of care or aided and abetted any breaches of fiduciary duty. DCSOF Ex. 13; DCSOF Ex. 4.

91. Disputed. Paragraph 91 is not supported by any facts and is vague as to what "material information" Beauchamp purportedly knew DenSco was withholding from investors. Defendants dispute that they fell below the standard of care or aided and abetted any breaches of fiduciary duty. DCSOF Ex. 13; DCSOF Ex. 4. *Objection: Irrelevant and argumentative*.

92. Disputed. Beauchamp believed that the Forbearance Agreement to memorialize Chittick and Menaged's work out plan would be finalized before the end of January, at which point an updated POM could be issued. DCSOF Ex. 21 (January 21, 2014 email from Beauchamp to Chittick) at DIC0006528 ("I am just very concerned about the payoffs getting so far ahead of the documentation. I have authorized the preparation of the Forbearance Agreement and the related documents. Under normal circumstances, this should be finalized and signed before you advance all of this additional money. We plan to get the documents to you and Scott later this week. Hopefully, we can get the documents signed later this week."). Beauchamp further advised Chittick repeatedly that while the Forbearance Agreement was being documented, Densco could *not raise money (either through new investments or rollovers) without full disclosure.* DCSOF Ex. 10 at 78:15-79:6, 158:24 – 159:4, 159:14 – 160:7, 172:7-21. Though the Forbearance Agreement ultimately took longer to document, Clark Hill and Beauchamp began to update the POM in May 2014. DCSOF Ex. 22 (May 14, 2014 email from Schenck to Beauchamp with 2014 POM attached) (Exh. 101). Another Clark Hill attorney, Daniel Schenck, emailed a draft of the 2014 POM to Beauchamp on May 14, 2014. That draft included a description of the

First Fraud and Forbearance Agreement. *Id*. The draft had numerous blanks that required information from DenSco, and included numerous comments and questions for Chittick. *Id.* Beauchamp shared the draft POM with Chittick and requested that he approve the description of the double lien issue and the workout. Chittick refused, prompting Beauchamp to terminate DenSco as a client in May 2014. DCSOF Ex. 10 at 121:20-122:4, 164:1-14; DCSOF Ex. 23 (Schenck Depo Tr.) at 111:5-112:12. Defendants never advised Chittick that he could put off disclosure for a year. Defendants repeatedly advised Chittick that he had a fiduciary duty that included disclosure requirements, and that Chittick could not raise money without disclosure. DCSOF Ex. 25 (February 4, 2014 email from Beauchamp to Chittick) at DIC0006673; DCSOF Ex. 26 (February 7, 2014 email from Beauchamp to Goulder) (Exh. 343); DCSOF Ex. 27 (February 9, 2014 email from Beauchamp to Chittick) at DIC0006708; DCSOF Ex. 28 (February 14, 2014 email from Beauchamp to Chittick) (Exh. 75); DCSOF Ex. 29 (February 25, 2014 email from Beauchamp to Chittick) (Exh. 360); DCSOF Ex. 30 (March 13, 2014 email from Beauchamp to Chittick) (Exh. 383). Defendants dispute that they fell below the standard of care or aided and abetted any breaches of fiduciary duty. DCSOF Ex. 13; DCSOF Ex. 4 (Rhodes Report). *Objection*: *Hearsay regarding Menaged's testimony as to what Chittick purportedly told him about what Beauchamp purportedly told Chittick; objection to Plaintiff's citation to 32 different statements of fact in support of an unrelated motion to support a single purported "statement of fact"*.

93. Disputed. Paragraph 93 contains no facts and is pure opinion and argument. DCSOF Ex. 13 at p. 30. Defendants dispute that they fell below the standard of care or aided and abetted any breaches of fiduciary duty. DCSOF Ex. 13; DCSOF Ex. 4. *Id.* *Objection: Irrelevant, argumentative, legal conclusion*.

94. Disputed in part. Defendants are not "claiming" anything. They have testified as to the advice provided. Defendants' experts opine that Defendants met the standard of care. DCSOF Ex. 13 at p. 30. *Objection: Irrelevant, argumentative*.

95. Disputed in part. Defendants are not "claiming" anything. They have truthfully testified as to their knowledge and the advice provided. Defendants' experts opine that Defendants met the standard of care. DCSOF Ex. 13 at p. 30. Defendants' experts further opine that DenSco could make disclosures to investors verbally – an updated POM was not required. *Id.* at p. 9.

96. Disputed. First, Plaintiff has provided no evidentiary support for its assertion that "[a]ll other evidence indicates that Beauchamp and Clark Hill knew and encouraged the continued efforts to raise money without telling DenSco's investors." Second, Plaintiff blatantly misstates the record. For one, Chittick clearly understood that he was required to provide disclosures to investors from whom he was raising money, as he had done for more than a decade, as Defendants advised him to do so. DCSOF Ex. 24 (February 11, 2014 email from Chittick to Menaged) (Exh. 548); DSOF at ¶¶ 11-15. Further, there is ample written evidence that Defendants provided proper advice to Chittick regarding his disclosure obligations. DCSOF Ex. 25; DCSOF Ex. 26; DCSOF Ex. 27; DCSOF Ex. 28; DCSOF Ex. 29; DCSOF Ex. 30. *Objection: argumentative*.

97. Disputed, lacks foundation as to what Chittick knew or believed, vague as to what Chittick wrote in his journal. Plaintiff's only support for its assertions in Paragraph 97 are the purported corporate journals kept by Chittick. Those corporate journals constitute hearsay, have no indicia of reliability and will not be admissible at trial. Defendants incorporate herein their Motion in Limine to preclude use of the corporate journals and suicide letters, which was denied without prejudice. The corporate journal entries are also flatly contradicted by the numerous emails from Beauchamp between January and May 2014 where Beauchamp reminded Chittick of his fiduciary duties to

DenSco, including his duties of disclosure. DCSOF Ex. 24; DCSOF Ex. 25; DCSOF Ex. 26; DCSOF Ex. 27; DCSOF Ex. 28; DCSOF Ex. 29; DCSOF Ex. 30. Further, Beauchamp repeatedly advised Chittick as to his need to make disclosure in order to raise money. Chittick's vague journal entries to not refute that advice. DCSOF Ex. 10 at 78:15-79:6, 158:24-159:4, 159:14-160:7, 172:7-21. *Objection*: *hearsay, lacks foundation.*

98. Disputed in part. Plaintiff does not accurately represent the full email exchange between the parties. In addition to telling Beauchamp that he has "spent the day contacting every investor that has told me they want to give me more money," Chittick informed Beauchamp that the double liening issue would be "all done in 30 days easy, less than three weeks would be my goal" and that Menaged was raising additional capital. Beauchamp then responded that Chittick "should feel very honored that you could raise that amount of money that quickly" and also asked for details of how Menaged was injecting more money into the deal. DCSOF Ex. 31 (January 12, 2014 email exchange beween Beauchamp and Chittick) (Exh. 150). There is no evidence that Beauchamp's email condoned Chittick raising additional money from DenSco investors without proper disclosures, or suggests that Beauchamp was or should have been aware that Chittick was raising money without proper disclosures, nor does Chittick's email suggest that he is raising money *without making disclosures*. Beauchamp repeatedly advised Chittick as to his need to make disclosure in order to raise money. DCSOF Ex. 10 at 78:15-79:6, 158:24-159:4, 159:14-160:7, 172:7-21.

99. Disputed in part. Plaintiff does not accurately represent the full email exchange between the parties. Chittick sent Beauchamp a long email summarizing how "scott and i have been talking about how do we eliminate as many as these loans as fast as possible." DCSOF Ex. 29. Chittick then asks how much room he has under the Forbearance Agreement to devise solutions to eliminating the loans. *Id.* Beauchamp responds that the various solutions suggested by Chittick are "[g]ood ideas and probably

something that we might need to work on," but then advises that "[w]e will probably need to focus on an alternative approach, because [Menaged's attorney's] demands and changes have pretty much killed your ability to sign the Forbearance Agreement, which I believe [Menaged's attorney] wanted to do from the beginning." *Id.* Defendants object to the inference that Beauchamp responsive email fell below the standard of care. It did not. DCSOF Ex. 13; DCSOF Ex. 4.

100. Disputed. This statement of "fact" is vague, incomplete, and nonsensical. Plaintiff does not accurately represent the full email exchange between the parties. The parties were discussing how the work out plan would be affected if Chittick began making loans to Menaged "at 120% of LTV." Chittick explained why he thought increasing the loan-to-value ratio made sense, to which Beauchamp responded, "I completely agree that it makes a lot of sense, but I am concerned about the disclosure to your investors." Chittick then responds, "so am i but the [sic] details of the agreement are confidential, how my ratios end up, i can explain without giving details." DCSOF Ex. 32 (March 17, 2014 email exchange between Beauchamp and Chittick) (Exh. 387). Nothing in the email provides that Beauchamp advised Chittick to follow whatever vague "plan" is allegedly set forth in the email. There is no evidence that Beauchamp had the necessary financial information to determine what DenSco's overall loan to value ratio might be.

101. Disputed. Paragraph 101 contains no facts, is vague as to what "examples" Plaintiff is referring to, and is pure argument. Defendants incorporate herein their responses set forth above. Defendants did not fall below the standard of care or aid and abet breaches of fiduciary duty. DCSOF Ex. 13; DCSOF Ex. 4. *Objection: Irrelevant and argumentative*.

102. Disputed in part. Beauchamp became concerned that Chittick was not making the necessary oral disclosures to investors from whom he was raising money in approximately mid-April 2014. CSOF Ex. 4.

103. Disputed. Plaintiff mischaracterizes the 8 pages of Scott Rhodes's cited testimony, most of which responds to Plaintiff's incomplete hypotheticals. Mr. Rhodes testified that an attorney has a mandatory duty to withdraw when the attorney knows that his client is committing an ongoing crime. DCSOF Ex. 33 (Rhodes Depo. Tr.) at 181:21-25. He also testified, however, that prior to withdrawal, the attorney should determine whether it is possible to remedy the unlawful conduct. *Id.* Further, the statement is vague as to what "that point" refers to, whether a specific point in time, or some specific knowledge that Beauchamp purportedly possessed.

104. Disputed. Paragraph 104 contains no facts and is pure opinion and argument. It additionally mischaracterizes Scott Rhodes's deposition, comment 11 to ER 1.1 and ER 1.13(c)(2), all of which Plaintiff cites to in support of its argumentative paragraph. First, Mr. Rhodes merely explained that a noisy withdrawal could be done in response to an incomplete hypothetical question involving DenSco posed by Plaintiff's attorney. Second, there is no comment 11 to ER 1.1. Third, ER 1.13(c)(2) merely provides that an attorney "may reveal information relating to the representation" if a number of conditions are met. Nothing cited by Plaintiff obligates an attorney to violate attorney client privilege. The Rhodes Report opines that Defendants were not required to report out. DCSOF Ex. 4 at ¶ 43. *Objection: Irrelevant, argumentative, legal conclusion.*

105. Disputed. Paragraph 105 contains no facts and is pure argument. Moreover, it is simply not correct. Not only did Beauchamp testify that he terminated DenSco as a client in May 2014, but another attorney at Clark Hill, David Schenck, testified to the same fact. DCSOF Ex. 10 at 121:20-122:4, 164:1-14; DCSOF Ex. 23 at 111:5-112:12. There are also no invoices for securities work done on behalf of DenSco after May 2014 until March 2016, other than limited clean up work on the Forbearance Agreement that was completed in June 2014. DCSOF Ex. 34 (March, April, May and June 2016 Clark Hill

invoices). As expert Rhodes points out, a termination need not be in writing. Ex. 4 at ¶ 42. *Objection: Irrelevant and argumentative.*

106. Disputed in part. Plaintiff does not accurately represent Beauchamp's full testimony. Beauchamp testified that Chittick said "Don't bother, don't sent me a letter. I'm looking for other counsel." DCSOF Ex. 10 at 197:18-21.

107. Disputed. Paragraph 107 contains no facts and is pure argument. The lack of any legal invoices, the lack of any further communication between Defendants and Chittick, and Schenck's testimony, further support the testimony that Defendants terminated DenSco as a securities client in May 2014. *See* Response to Paragraph 105. *Objection: Irrelevant and argumentative.*

108. Disputed. Paragraph 108 contains no facts and is pure argument. Additionally, the corporate journals and suicide letters that Plaintiff relies on to support its argumentative paragraph constitute hearsay, have no indicia of reliability and are not admissible. Defendants incorporate herein their Motion in Limine to preclude use of the corporate journals and suicide letters, which was denied without prejudice. There is further no evidence aside from Chittick's self-serving suicide letters (written under extreme duress and clearly intended to absolve Chittick while falsely casting blame on others) to support the false claims Chittick makes therein. *See generally* Responses to Paragraphs above disputing assertion that Defendants counseled DenSco that it did not need to make disclosures, and citing to various communications wherein Defendants counseled DenSco regarding its fiduciary duties, including duty of disclosure. *Objection: Hearsay, irrelevant and argumentative.*

109. Disputed. Paragraph 109 contains no facts, cites to no supporting evidence and is pure argument. It is also flatly contradicted by the evidence available. *See* Paragraph 105 above. *Objection: irrelevant, argumentative*.

110. Disputed. Rather than giving Chittick time to work things out after the Forbearance Agreement was executed, Beauchamp terminated DenSco as a client for failing to make mandatory disclosures. *See* Paragraph 105 above. This is precisely the action that Plaintiff alleges Beauchamp should have taken. Defendants further object to Plaintiff's citations to nine separate statements of fact used to support a prior motion to support a single purported statement of "fact." To the extent Plaintiff relies on Chittick's journals and suicide letters to support his contentions, those documents are inadmissible hearsay. *See* Defendants' Motion in Limine incorporated herein by reference. *See generally* Responses to Paragraphs above disputing assertion that Defendants counseled DenSco that it did not need to make disclosures, and citing to various communications wherein Defendants counseled DenSco regarding its fiduciary duties, including duty of disclosure.

111. Disputed in part. Though Beauchamp wrote to Chittick in March 2015, it was not to "check on his progress," but to reconnect after DenSco was terminated as a client. The email explicitly asked Chittick if he was "willing to move beyond everything that happened and still work with me." DCSOF Ex. 35 (March 13, 2015 email from Beauchamp to Chittick) (Exh. 412). The statement that Beauchamp "gave me a year to straighten stuff out we'll see what pressure I'm under to report now," is a corporate journal entry that constitutes hearsay, has no inidica or reliability and is not admissible. It is also wrong. *See generally* Responses to Paragraphs above disputing assertion that Defendants counseled DenSco that it did not need to make disclosures, citing to various communications wherein Defendants counseled DenSco regarding its fiduciary duties, including duty of disclosure, and noting Chittick's long held understanding that material information must be disclosed. *Objection: hearsay*.

112. Disputed. Paragraph 112 is premised entirely on an entry from Chittick's corporate journal. Those journals constitute hearsay, have no indicia of reliability and are

not admissible. At no point did Beauchamp advise Chittick he could delay issuing DenSco's POM or that he could raise money without disclosures. DCSOF Ex. 10 at 74:16-75:2, 78:15-79:6, 158:24 – 159:4, 159:14 – 160:7, 172:7-21, 287:22-24, 289:18-22. *See generally* Responses to Paragraphs above disputing assertion that Defendants counseled DenSco that it did not need to make disclosures, citing to various communications wherein Defendants counseled DenSco regarding its fiduciary duties, including duty of disclosure, and noting Chittick's long held understanding that material information must be disclosed. Further, the journal entry is vague and there is no foundation as to what it purportedly means or to what it is referring. *Objection: hearsay, vague, lack of foundation.*

113. Disputed. Beauchamp did not give DenSco time to work things out after the Forbearance Agreement was executed – he terminated DenSco as a client for failing to make mandatory disclosures. *See* Paragraph 105 above. That is precisely the action that Plaintiff alleges Beauchamp should have taken. Beauchamp did not do any other work for DenSco until March 2016, when Clark Hill represented DenSco in a discrete matter relating to the Arizona Department of Financial Institutions. DCSOF Ex. 34. Nor did Beauchamp advise Chittick that he had a year to perform on the workout before making disclosures to DenSco's investors. DCSOF Ex. 10 at 74:16-75:2, 78:15-79:6, 158:24 – 159:4, 159:14 – 160:7, 172:7-21, 287:22-24, 289:18-22. *See generally* Responses to Paragraphs above disputing assertion that Defendants counseled DenSco that it did not need to make disclosures, citing to various communications wherein Defendants counseled DenSco regarding its fiduciary duties, including duty of disclosure, and noting Chittick's long held understanding that material information must be disclosed.

114. Disputed. Beauchamp did not give DenSco time to work things out after the Forbearance Agreement was executed – he terminated DenSco as a client for failing to make mandatory disclosures. *See* Paragraph 105 above. That is precisely the action that Plaintiff alleges Beauchamp should have taken. Beauchamp did not do any other work for

DenSco until March 2016, when Clark Hill represented DenSco in a discrete matter relating to the Arizona Department of Financial Institutions. DCSOF Ex. 34 (March, April, May and June 2016 Clark Hill invoices). Nor did Beauchamp advise Chittick that he had a year to perform on the workout before making disclosures to DenSco's investors. DCSOF Ex. 10 at 74:16-75:2, 78:15-79:6, 158:24 – 159:4, 159:14 – 160:7, 172:7-21, 287:22-24, 289:18-22. Further, Menaged's statements, about what Chittick purportedly told him, as well as statements about what Beauchamp purported told Chittick, are inadmissible hearsay. *Objection: hearsay, vague, lack of foundation.*

115. Disputed in part. Though Menaged, a convicted felon, may have testified that Chittick never told him that Beauchamp had fired DenSco as a client, that does not mean that it did not happen. Multiple Clark Hill attorneys testified to that fact and there is no evidence that Clark Hill remained as securities counsel for DenSco. *See* Paragraph 105 above.

116. Undisputed. As further set forth in that email, Chittick and Menaged developed their own work out plan, and implemented it, prior to consulting Defendants.

117. Undisputed although an incomplete recitation of Chittick and Menaged's work out plan.

118. Disputed in part. The email described a portion of Chittick and Menaged's workout plan in those terms, but did not make clear that *DenSco*, as opposed to Chittick himself, would extend Menaged additional credit. The email actually provided that "I'm extending him a million dollars against a home at 3%."

119. Disputed. The facts establish that the plan devised by Chittick and Menaged had already been developed and implemented. DCSOF Ex. 36 (Receiver analysis of $1 million workout loan). Beauchamp suggested that a Forbearance Agreement be executed to provide some minimal protection to DenSco. DCSOF Ex. 37 (January 15, 2014 email from Beauchamp to Chittick) (Exh. 175) ("We still need to get Scott to sign the Term Sheet and

then the Forbearance Agreement to protect DenSco as we proceed."); DCSOF Ex. 38 (February 7, 2014 email from Beauchamp to Chittick) (Exh. 343) (advising Chittick that he needs to have "a sworn set of facts that you can rely upon."). Beauchamp attempted to negotiate those protections, including admissions from Menaged, commitments to fund from Menaged, protections from potential Menaged bankruptcy filings, the right to make all proper disclosures to DenSco investors, etc. DCSOF Ex. 24; DCSOF Ex. 25; DCSOF Ex. 26; DCSOF Ex. 27; DCSOF Ex. 28; DCSOF Ex. 29; DCSOF Ex. 30. The terms of the workout, however, were largely in place by January 7, 2014, and Chittick and Menaged had already started performing on the workout plan. DCSOF Ex. 36. Further, Chittick repeatedly failed to heed Beauchamp's advice. For example, he refused to include language whereby Menaged would admit that he was required to put DenSco in first position. DCSOF Ex. 15 (January 16, 2014 email exchange between Beauchamp and Chittick) (Exh. 45).

120. Disputed. Paragraph 120 contains no facts and is opinion and argument. Defendants did not violate the standard of care. DCSOF Ex. 13; DCSOF Ex. 4. Defendants were not required to make a noisy withdrawal. DCSOF Ex. 4 at ¶ 43. *Objection: Irrelevant, argumentative, legal conclusion.*

121. Disputed. *See* Response to Paragraph 119.

122. Disputed and vague as to the term "major role," as to what "material terms changed," as to what "parties" discussed all sorts of proposals. For example, while Plaintiff cites Menaged for the proposition that Chittick and Menaged were exchanging "ideas about the work out plan," that citation does not support the inference that Beauchamp was in the loop on those exchanges. To the contrary, Chittick and Menaged had apparently agreed not to follow or use the Forbearance Agreement, and repeatedly denigrated its potential value. DCSOF Ex. 39 (Various emails between Chittick and Menaged in February 2014); DCSOF Ex. 40 (April 3, 2014 email from Menaged to

Chittick) at CH_REC_CHI_0068720 (Menaged writing to Chittick that "I have signed the Notes and Agreement even though it is not anymore a true understanding of what we are doing. . . . So lots of this is no longer valid or True, but I signed it so at least you have it for and not to have Dave Change it again and again with every move we make."). See also Response to Paragraph 119. *Objection: vague, argumentative.*

123. Disputed and vague as to "unsecured lending" and "negotiated." Chittick and Menaged developed the terms and conditions for DenSco's additional borrowing to support the workout. DCSOF Ex. 19. This is supported by the Menaged testimony cited by Plaintiff, which does not support the alleged "fact" that Beauchamp negotiated those lending terms. Further, Chittick failed to fully apprise Beauchamp of the actual amount owed by Menaged, or at issue in the First Fraud, when he first approached Beauchamp in January 2014. DCSOF Ex. 41 (March 21, 2014 email from Chittick to Beauchamp) (Exh. 392).

124. Disputed. Beauchamp negotiated against Menaged and his counsel to ensure that the agreement complied with DenSco's fiduciary duties to its investors by allowing DenSco to make full disclosures. As Beauchamp explained to Chittick, "[i]n order to comply with the specific securities disclosure requirements, I left ____ (blank) the amount of time for Scott to be able to review and comment upon the proposed disclosure (suggest 48 hours) and I did not give him the right to disapprove and block what you can or cannot disclose. DenSco and you as the promoter of DenSco's offering have to make the decisions as to what is to be disclosed or not." DCSOF Ex. 30. The final confidentiality provision in the Forbearance Agreement included a carve out for "current or future investors." *Id.* Expert Olson disputes the assertion that the ultimately confidentiality provision falls below the standard of care. DCSOF Ex. 3 at ¶ 5.

125. Disputed. An email sent on March 13, 2014 – 2 days after the alleged phone call with Menaged – establishes that Beauchamp was insistent on disclosure being provided

to the investors as soon as possible. That email admonished Chittick: "we are already **very late** in providing information to your investors about this problem and the resulting material changes from your business plan. We cannot give Scott and his attorney any time to cause further delay in getting this Forbearance Agreement finished and the necessary disclosure prepared and circulated." DCSOF Ex. 30. Beauchamp consistently and repeated advised Chittick as to his fiduciary duties, including the duty of disclosure to DenSco's investors. DCSOF Ex. 24; DCSOF Ex. 25; DCSOF Ex. 26; DCSOF Ex. 27; DCSOF Ex. 28; DCSOF Ex. 29; DCSOF Ex. 30. *See generally* Responses to Paragraphs above disputing assertion that Defendants counseled DenSco that it did not need to make disclosures, citing to various communications wherein Defendants counseled DenSco regarding its fiduciary duties, including duty of disclosure, and noting Chittick's long held understanding that material information must be disclosed.

126. Disputed. Paragraph 126 contains no facts and is pure opinion and argument. Defendants did not violate the standard of care. DCSOF Ex. 13 at p. 30. Advising DenSco to formalize its arrangement with Menaged in a forbearance agreement, that might at least provide some additional protections, was the appropriate advice. DCSOF Ex. 13 at p. 20-25. *Objection: Irrelevant and argumentative.*

127. Disputed. Plaintiff cites to no evidence to support Paragraph 127. Additionally, Plaintiff does not accurately represent the full email exchange between Chittick and Beauchamp. On January 9, 2014, Chittick sends an email that appears to be explaining why he believes it is ok to wire money directly to a borrower, rather than a trustee, and the process by which he obtains a receipt. DCSOF Ex. 42 (January 9, 2014 email exchange between Beauchamp and Chittick). In response, Beauchamp writes, "Let me see what the other lenders got from the Trustee and we can make a better decision. There is either another way to do it or someone described a procedure that does not work." *Id. See* further response to Paragraph 128.

128. Disputed. Plaintiff has provided no evidence to support Paragraph 128. Additionally, Chittick's January 7, 2014 email to Beauchamp appears to explain for the first time DenSco's general business practice of lending money directly to borrowers to purchase properties, rather than funding loans to the trustee. DCSOF Ex. 19. Upon learning that information, Beauchamp repeatedly advised Chittick that he needed to fund DenSco's loans directly to a trustee to safeguard DenSco's money and its preferred lien priority. DCSOF Ex. 10 at 358:18-19, 359-361; DCSOF Ex. 43 (Menaged Depo. Tr.) at 239:1-9. Chittick averred that he understood that the procedure was incorrect and that he would fix it moving forward. DCSOF Ex. 10 at 364:17-24. Clark Hill believed that representation. DCSOF Ex. 23 at 106:22-107:3 (testifying that "[Clark Hill] did not know what Denny was going to . . . still go[] forward with his practices.").

129. Disputed. Paragraph 129 contains no facts and is pure argument. Defendants dispute that they fell below the standard of care or aided and abetted any breaches of fiduciary duty. DCSOF Ex. 13; DCSOF Ex. 4.

130. Disputed. Menaged specifically testified that it was Chittick who wanted evidence of cashier's checks. DCSOF Ex. 43 at 402:14-21. Paragraph 130 also constitutes hearsay, to the extent that it purports to recite that what Chittick told Menaged that Beauchamp said is true. *Objection: Hearsay, foundation. See also* Response to Paragraph 128.

131. Disputed. Paragraph 131 contains no facts and is pure argument. Moreover, it is flatly contradicted by Defendants' experts. DCSOF Ex. 13 at p. 30. Defendants met the standard of care. DCSOF Ex. 13; DCSOF Ex. 4. *Objection: Irrelevant and argumentative.*

132. Disputed. Paragraph 132 contains no facts and is pure argument. Moreover, it is flatly contradicted by Defendants' experts. DCSOF Ex. 13 at p. 30. Defendants met

the standard of care. DCSOF Ex. 13; DCSOF Ex. 4. *Objection: Irrelevant and argumentative.*

133. Disputed. For one, the minimal evidence cited by the Receiver does not support the allegation that Chittick would have followed any advice provided by DenSco. This case if proof of how demonstrably untrue that statement is. While Chittick showed himself to be a good client who followed advice prior to 2014, Chittick consistently failed to be forthright with Clark Hill and follow legal advice thereafter. For example, Chittick's January 7, 2014 email contained numerous misrepresentations regarding DenSco's lending relationship with Menaged. Chittick wrote in that email that "I've been lending to Scott Menaged through few different LLC's and his name since 2007. [I]'ve lent him 50 million dollars and [I]'ve never had a problem with payment or issue that hasn't been resolved." That email failed to mention that Menaged had been double liening properties secured by DenSco's funds since September 2012. DSOF ¶¶ 32-33. Chittick also failed to mention that DenSco had lent Menaged $31 million in 2013 alone, and had $28.5 million in outstanding loans to Menaged as of the end of 2013, a large portion of which were more than six months past due. A significant number of these past due loans were made in 2012. DSOF ¶ 34. Chittick then failed to inform Clark Hill that he had no intention of holding Menaged to the Forbearance Agreement. Just prior to signing the agreement, Menaged informed Chittick that "I have signed the Notes and Agreement even though it is not anymore a true understanding of what we are doing. . . . So lots of this is no longer valid or True, but I signed it so at least you have it for and not to have Dave Change it again and again with every move we make." DCSOF Ex. 40. Further, Chittick failed to make numerous disclosures to Defendants in 2012 and 2013 regarding his failure to fund money correctly, the long standing double lien issue, and the decision to lend more than half of DenSco's portfolio to Menaged. *See* Defendants Statements of Facts in Support of Motion for Summary Judgment on Joint and Several Liability at ¶¶ 3, 5, 11, 12, 22-24, 29, 64. *See*

generally Responses to Paragraphs above disputing assertion that Defendants counseled DenSco that it did not need to make disclosures and citing to various communications wherein Defendants counseled DenSco regarding its fiduciary duties, including duty of disclosure, all of which Chittick would ignore.

134. Disputed. Paragraph 134 contains no facts and is pure argument. Defendants also object to the inference that Defendants have been untruthful regarding the advice provided. *Objection: Irrelevant and argumentative.*

135. Disputed in part. Although the statement quotes some of the language in the referenced email, Defendants dispute the inference that Beauchamp failed to disclose the termination because there was no termination. As set forth above, the only evidence is that Defendants terminated the representation. *See also* Response to Paragraph 136.

136. Disputed in part. The email exchange that Beauchamp had with Clark Hill's Darrell Davis and Mark Sifferman did not naturally require Beauchamp to reveal that Beauchamp had terminated DenSco as a client almost two years earlier. As Beauchamp's initial email to Davis and Sifferman recounted, Beauchamp "[did] not know what to think and . . . [did] not understand why or what brought him to that. As of now, I am to wait for a package with instructions that Denny sent to me just before he committed suicide. Initially the thought is that is that his actions were based on personal issues and not business related." CSOF Ex. 1. Defendants dispute the inference that it was somehow nefarious or wrong for Beauchamp to not remember purported "irregularities" in an email exchange shortly after the suicide of a friend. *Objection: Argumentative.*

137. Disputed. Defendants dispute that they "continued" representing DenSco and the inference that Defendants never terminated DenSco as a securities client. Plaintiff has cited to no evidence to support Paragraph 137. Additionally, the Rhodes Report correctly recounts that "Beauchamp and Clark Hill's short-lived legal work to help start the administration of [Chittick's] estate and communicate with investors and the Arizona

Corporation Commission were discrete tasks that, because of Beauchamp's history with the company, it was logical for his firm to perform. In essence, like Emergency Room doctors, Beauchamp and the law firm stabilized the situation and then passed it on to other lawyers." DCSOF Ex. 4 at ¶ 44. There was no conflict. DCSOF Ex. 13 at p. 28.

138. Disputed. Defendants object to Paragraph 138's characterization that the email cited by Plaintiff "dissuade[d] DenSco investors from supporting receivership." The email speaks for itself. Furthermore, the email evidences that the Arizona Corporation Commission had already become involved in investigating DenSco. Defendants' experts have also opined that Clark Hill and Beauchamp did not violate the standard of care by undertaking "a limited representation to open an estate and arrange for the appointment of [Chittick's sister] as the personal representative of Mr. Chittick's estate." DCSOF Ex. 13 at p. 28. *Objection: Argumentative.*

139. Disputed. Paragraph 139 contains no facts and is pure opinion and argument. Plaintiff is required to set out individual statements of fact supported by evidence. Paragraph 139 is pure argument purportedly supported by 11 separate statements of fact included in a prior pleading. Defendants' experts have also opined that Clark Hill and Beauchamp did not violate the standard of care in conducting limited work on behalf of DenSco after Chittick's passing. DCSOF Ex. 13 at p. 28-29. *Objection: Irrelevant and argumentative*.

140. Disputed. Paragraph 140 contains no facts and is pure opinion and argument. Also, at noted in the Report of Kevin Olson, Clark Hill and Beauchamp's role was limited with regards to the work it did in finding an attorney to represent the Chittick Estate. At [Chittick's sister's] request Clark Hill undertook a limited representation to open an estate and arrange for the appointment of [Chittick's sister] as the personal representative of Mr. Chittick's estate since [Denny's sister] had no other contacts in Arizona." DCSOF Ex. 13 at p. 28. Chittick's sister, Shawna Heuer, testified that *she* chose to hire Kevin Merritt - the

alleged "friendly attorneys" - after another attorney whom she personally knew in Idaho named Peter Erbland "contacted Mr. Merritt, spoke with him, did a little due diligence on his own part." Ex. 44 (Heuer Depo. Tr.) at p.62:24-63:10. Mr. Erbland then told Ms. Heuer that Mr. Merritt was "a good guy. I think he would be a good person for you to use. So he kind of gave me some direction." *Id. Objection: Argumentative.*

141. Disputed. Beauchamp has consistently maintained that he represented only DenSco and Chittick *as the President of DenSco.* DCSOF Ex. 10 at 102:24-103:5, 105:12-106:16. Beauchamp explicitly wrote to the Arizona Corporation Commission on August 10, 2016 that: "I have not previously represented Denny Chittick and I do not have authority to accept the service of the Subpoena on Mr. Chittick or his Estate, so some of the items listed in the Subpoena (e.g. Denny Chittick's personal tax records) are not within my control and I have forwarded the Subpoena to the Personal Representative for his Estate, Shawna Chittick Heuer. Ex. 45 (August 10, 2016 letter from Beauchamp to W. Coy) (Exh. 434). Though Clark Hill submitted a declaration that stated that Beauchamp "was acting as counsel for not only DenSco but its president Mr. Chittick," Beauchamp clarified that what the declaration should have specified was that he was counsel for Mr. Chittick as the President of DenSco. DCSOF Ex. 10 at 140:9-11, 140:24-141:9. Defendants dispute any inference by the Plaintiff that Beauchamp or anyone at Clark Hill sought to, or did, submit a misleading declaration. *Objection: Argumentative.*

142. Disputed. Paragraph 142 contains no facts and is pure opinion and argument. There is no evidence that the Receiver was hampered in any way from "promptly obtain[ing] records related to DenSco." Also, at noted in the Report of Kevin Olson, Beauchamp only "briefly stepped in to gather information, maintain the status quo, provide information to the ACC, and provide updates to investors until someone else could be appointed. DCSOF Ex. 13 at p. 29. *Objection: Argumentative.*

143. Disputed. Paragraph 143 contains no facts and is pure opinion and argument. Defendants are not "claiming" anything. The record establishes that Beauchamp terminated DenSco as a client in May 2014. DCSOF Ex. 10 at 121:20-122:4, 164:1-14; DCSOF Ex. 23 at 111:5-112:12. *See* Response to Paragraph 105. *Objection: Argumentative.*

144. Disputed in part. Though Clark Hill properly billed DenSco for services rendered, Defendants deny that billing for such services constitutes a benefit that the Court can weigh in determining whether to apply the defense of In Pari Delicto. *Objection: Argumentative.*

DATED this 22nd day of November, 2019.

COPPERSMITH BROCKELMAN PLC

By: */s/ John E. DeWulf*
John E. DeWulf
Marvin C. Ruth
Vidula U. Patki
2800 North Central Avenue, Suite 1900
Phoenix, Arizona 85004
Attorneys for Defendants

ORIGINAL E-FILED and a copy served via AZTurboCourt and mailed this 22nd day of November, 2019 to:

Colin F. Campbell, Esq.
Geoffrey M. T. Sturr, Esq.
Joseph Roth, Esq.
Joshua M. Whitaker, Esq.
OSBORN MALEDON, P.A.
2929 N. Central Ave., Suite 2100
Phoenix, AZ 85012-2793
ccampbell@omlaw.com
gsturr@omlaw.com
jroth@omlaw.com
jwhitaker@omlaw.com
Attorneys for Plaintiff

/s/ Verna Colwell

Exhibit 1

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, vs. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, Husband and Wife, Defendants.	)	NO. CV2017-013832

DEPOSITION OF STEVEN GREGORY BUNGER

Phoenix, Arizona
December 3, 2018
12:58 p.m.

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

PREPARED FOR:

he talked about his wife.

Q. But you don't remember what it might be?

A. I don't remember what it was.

Q. Do you have any idea who might know that?

A. Brian.

Q. Brian Imdieke?

A. Yeah. I think he is going to be your important witness.

Q. Is there any way you could -- and I know over a period of time it might have varied, but how frequently would you have communicated with Mr. Chittick up to the time of his death?

A. I mean, I might talk to him every couple days, because he walks by my front door with his kids and I'll do small talk with him and his kids, but real conversations weren't that frequent. And a lot of them were emails that you probably have copies of.

Q. Right.

And I understand he wasn't a good friend. You knew him I think primarily from business, but how would you describe him if someone had not met him before? How would -- could you share with us your view of what kind of person he was, what his characteristics --

A. Yes.

Q. -- or personality traits were?

A. I would say wicked smart. I would say high integrity. I would say a very strategic, very calculating person, in a good way. Not socially adept. Like he would say what's on his mind with no sugar, and for people that aren't used to that, it would rub them wrong, but for me, I didn't care. He is a good guy.

Q. Did he strike you as being honest?

A. Very honest.

Q. Good with numbers?

A. Wicked smart. Good with numbers. In fact, he would brag about going to -- doing something to the Federal Reserve or something. He went and did a presentation to the Federal Reserve about numbers.

Q. You talked about him not being socially adept. Did he have many friends?

A. It didn't look that way to me.

Q. Do you think that's something you could judge?

A. No, I couldn't judge, but I -- I just know him through a mutual friend who just said he was very -- even in a corporate environment, as the company got bigger, he was less effective because he couldn't manage people.

Q. And you are talking about Insight?

A. Yeah.

Q. Could you tell any difference in his behavior, that is Denny Chittick's behavior, between prior to him

but I got the impression he had a first lien or at least a lien that would keep him in a spot to cover that 60 percent.

Q. And I think you have -- you indicated earlier in your testimony that he was savvy when it came to being able to evaluate the value of properties, right?

A. Yes.

Q. Do you know how he did that?

A. He -- he has tremendous memory and tremendous analytical skills, and he has got tremendous history that he can lean on using that analytical skills and memory, and that's how he did it.

He has seen good deals and bad deals, and he would know that one side of the street is T.W. Lewis, the next side of the street was some other builder and which one was built better and held the value more, is what he portrayed to me.

Q. So he had a historical knowledge and a good memory of different neighborhoods in the city?

A. Yeah. And he could see data differently than most people could see data.

MR. CAMPBELL: John, I just need to talk to Geoff for five minutes before he goes off to court, so maybe we could take a break.

MR. DeWULF: Yeah. You want to take a break? I

guy named Steve Jurich who is a founder and owner of IQ Wealth Management, but do you remember a meeting where somebody came and talked about investments?

A. For some reason, either that, or I just remember some oil and gas stuff. I remember some stuff that I go, what am I watching? But it wouldn't surprise me if it did.

Q. Okay.

A. I mean, he was trying -- he was playing a very masterful game, I thought. I call it a full move, where he is building credibility with his flock of followers by giving them things they need in exchange for a lot of loyalty. That's my guess. That's how I was reading it, because I do things like this. Not in a bad way, but in a way you care about the person, and you are doing it because you care about them, and it makes the relationship stronger.

Q. Did you have the impression that Denny Chittick cared about you?

A. Yes.

Q. How did that manifest itself? What was the evidence of that?

A. Well, he was a neighbor. I watched his kids or played with his kids. I -- if I asked him any question any time of the day, he would answer my questions. He

A. Yeah.
Q. Right?
594.
A. This is a different question.
Q. Right.
It looks like there are a few, and you are going to see them, where you are asking for Denny Chittick's view of value, real estate value.
Did you do that periodically?
A. Yeah.
Q. Because you thought he was knowledgeable about real estate value?
A. Yes.
Q. And this, are you asking him to look at a deal that actually was brought to you by Mike Coffman at --
A. Clear Funds.
Q. -- at Clear?
A. Yes. Why where I was, on this deal I was going to have the first lien.
Q. All right. And Denny Chittick on March 11, 2013 is telling you it's a good deal, right?
A. Right.
Q. And then 595. It -- you are asking him for, again, his --
A. Right.

BE IT KNOWN that the foregoing proceeding was taken before me; that the witness before testifying was duly sworn by me to testify to the whole truth; that the questions propounded to the witness and the answers of the witness thereto were taken down by me in shorthand and thereafter reduced to typewriting under my direction; that the foregoing is a true and correct transcript of all proceedings had upon the taking of said deposition, all done to the best of my skill and ability.

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

[ ] Review and signature was requested.
[X] Review and signature was waived.
[ ] Review and signature was not requested.

I CERTIFY that I have complied with the ethical obligations in ACJA Sections 7-206(F)(3) and 7-206-(J)(1)(g)(1) and (2).

Kelly Sue Oglesby _____ 12/15/2018
Kelly Sue Oglesby Date
Arizona Certified Reporter No. 50178

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

_____ 12/15/2018
JD REPORTING, INC. Date
Arizona Registered Reporting Firm R1012

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, vs. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, Husband and Wife, Defendants.	)	NO. CV2017-013832

DEPOSITION OF BRIAN IMDIEKE

Phoenix, Arizona
December 12, 2018
10:00 a.m.

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

PREPARED FOR:

A. I did have some interaction, yeah, with both of them, and I'm trying to think of the right words. They were always amicable, but never really loving outwardly. When they were in a room together, they were pleasant and happy and smiling and things like that, but, you know, not hold hands or, you know, extend a kiss now and then, that kind of thing. It wasn't them.

Q. I see.

When you learned that they were getting divorced or got divorced, was that news to you, was it surprising to you? Do you recall?

A. Yeah, it surprised me. I didn't expect it.

Q. Did you ever ask about it or did he ever share anything about it?

A. No. I mean, again, it's kind of like -- it's like talking about religion and politics. You just kind of stay away from it.

Q. What did you observe about Denny Chittick in his role as a parent?

A. Good father, in my opinion. I mean, you know, he always had interaction with his kids. He was -- you know, he would go -- not only go to their games, but be the coach. Wanted to teach them good values. He was a good father.

Q. Some folks have described him as the smartest

guy in the room.

Would that be consistent with your view?

A. In a financial discussion, probably yes.

Q. Did you ever gain an impression of him as it related to his willingness to take advice?

A. That's a good question, but I don't really -- I don't recall an instance or a circumstance to verify that.

Q. Do you know if he ever shared the details of the finances in DenSco with anyone?

A. Not that I'm aware of. He didn't share them with me.

Q. All right. There was an accountant, Dave Preston, who was also an investor.

Do you know Mr. Preston?

A. I know Dave. He is also my accountant.

Q. Do you know whether Mr. Chittick ever shared the details of DenSco's finances with Mr. Preston?

A. I only assumed that he did. I don't have any firsthand knowledge.

Q. There also is an investor named Robert Koehler.

Do you know Mr. Koehler?

A. I know the name. I don't know who he is, though.

Q. Do you have any knowledge as to whether Mr. Chittick shared DenSco's financial information with

BE IT KNOWN that the foregoing proceeding was taken before me; that the witness before testifying was duly sworn by me to testify to the whole truth; that the questions propounded to the witness and the answers of the witness thereto were taken down by me in shorthand and thereafter reduced to typewriting under my direction; that the foregoing is a true and correct transcript of all proceedings had upon the taking of said deposition, all done to the best of my skill and ability.

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

[X] Review and signature was requested.
[ ] Review and signature was waived.
[ ] Review and signature was not requested.

I CERTIFY that I have complied with the ethical obligations in ACJA Sections 7-206(F)(3) and 7-206-(J)(1)(g)(1) and (2).

Kelly Sue Oglesby _____ 12/19/2018
Kelly Sue Oglesby Date
Arizona Certified Reporter No. 50178

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

_____ 12/19/2018
JD REPORTING, INC. Date
Arizona Registered Reporting Firm R1012

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, vs. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, Husband and Wife, Defendants.	)	NO. CV2017-013832

DEPOSITION OF VICTOR GOJCAJ

Phoenix, Arizona
December 17, 2018
1:35 p.m.

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

PREPARED FOR:

A. Am I wrong?

Q. I don't know the answer to that.

A. Oh, I thought you had papers. Okay.

Q. No. I was just wondering what your experience was.

You know, one of the complaints in our lawsuit is that the lawyer, Beauchamp, should have advised Mr. Chittick about certain lending practices and those kinds of things.

A. Okay.

Q. Is it your opinion, in your experience of working with Denny Chittick, that he was a smart and knowledgeable hard-money lender?

A. I have -- I have borrowed, what, 80 to 100 million a year, maybe something like that, a little more, a little less. He is probably the top two I have ever met in my career. He is the top two, most detailed lender that I have ever met in my career, and I know them all. I have met them all. He is not asleep at the wheel. Absolutely no chance.

Q. So he knew what his rights were. He just sometimes chose not to enforce his rights?

A. Denny taught title companies how to do their job. There is nothing you are going to tell me about Denny. When all this happened with Scott, everybody

debated me: Did Denny know? And I said to everybody: Yes, Denny knew what was going on. You ain't pulling a fast one on him.

Q. And you think a large reason why he let himself get into this business arrangement with Menaged was that he was drawn to that it was kind of glamorous and that Scott Menaged was on TV and it represented kind of money and lifestyle and that kind of thing?

A. Yes, and I think he was playing catch-up. You know, Scott promised him false hopes, and Scott befriended him very much so, and Denny used his heart instead of his head.

Q. Used his heart how?

A. Making decisions incorrectly.

Q. Do you know when Scott Menaged started seriously doing business with Denny Chittick?

A. Nope. And I also didn't even know he was forwarding it. So by seeing the email --

Q. Yeah.

A. -- unless you heard from me, you would have thought I knew about Scott, but I don't think past 60 seconds I have ever sat and spoke to the guy, other than the casino.

Q. You are talking about speaking to Scott Menaged, right?

BE IT KNOWN that the foregoing proceeding was taken before me; that the witness before testifying was duly sworn by me to testify to the whole truth; that the questions propounded to the witness and the answers of the witness thereto were taken down by me in shorthand and thereafter reduced to typewriting under my direction; that the foregoing is a true and correct transcript of all proceedings had upon the taking of said deposition, all done to the best of my skill and ability.

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

[ ] Review and signature was requested.
[X] Review and signature was waived.
[ ] Review and signature was not requested.

I CERTIFY that I have complied with the ethical obligations in ACJA Sections 7-206(F)(3) and 7-206-(J)(1)(g)(1) and (2).

Kelly Sue Oglesby _____ 12/30/2018
Kelly Sue Oglesby Date
Arizona Certified Reporter No. 50178

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

_____ 12/30/2018
JD REPORTING, INC. Date
Arizona Registered Reporting Firm R1012

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

DEPOSITION OF DORI ANN DAVIS

Phoenix, Arizona
March 9, 2019
9:01 a.m.

REPORTED BY:

Annette Satterlee, RPR, CRR, CRC
Arizona CR No. 50179

Registered Reporting Firm R1012

BY MS. PATKI:

Q. Would you like me to repeat the question?

A. Yes, please.

Q. What were your initial impressions of Denny?

A. He was smart. He was very methodical. He was welcoming. He was friendly.

Q. Do you remember when you met him initially, was your now-husband friends with Denny?

A. Yes.

Q. Do you remember when you first met Denny how long your husband had known Denny?

A. I don't remember the specific amount of years that they had known each other, but they had worked together at Insight.

Q. Yeah. And I --

A. So it was probably at least eight years. Maybe ten years. I don't know.

Q. Do you remember prior to meeting Denny your husband telling you about Denny?

A. Prior to meeting him do I remember my husband talking about him?

Q. Yes.

A. No.

Q. And you said that you didn't remember the exact year that you met him. Is that correct?

CERTIFIED REPORTER'S CERTIFICATE

BE IT KNOWN that the foregoing proceeding was taken before me; that the witness before testifying was duly sworn by me to testify to the whole truth; that the questions propounded to the witness and the answers of the witness thereto were taken down by me in shorthand and thereafter reduced to typewriting under my direction; that the foregoing pages is a true and correct transcript of all proceedings had upon the taking of said proceeding, all done to the best of my skill and ability.

I CERTIFY that I am not related to, nor employed by, any of the parties hereto, nor am I in any way interested in the outcome thereof.

[XX] Review and signature was requested.
[ ] Review and signature was waived.
[ ] Review and signature was not requested.

I CERTIFY that I have complied with the ethical obligations in ACJA Sections 7-206(F)(3) and 7-206(J)(1)(g)(1) and (2).

_____ _____
Annette Satterlee, RPR, CRR Date
AZ CR No. 50179

I CERTIFY that JD Reporting, Inc., has complied with the ethical obligations in ACJA 7-260(J)(1)(g)(1) through (6).

_____ _____
JD Reporting, Inc. Date
Registered Reporting Firm R1012

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, vs. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, Husband and Wife, Defendants.	)	NO. CV2017-013832

DEPOSITION OF PAUL KENT

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

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

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

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

Q. Figured it out?

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

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

A. Yes.

Q. -- that were securing the loans?

A. Yes.

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

MR. STURR: Object to the form.

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

Maybe you can ask the question again.

Q. Yeah.

Did you feel comfortable with Denny's knowledge

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

A. Yeah. Yes.

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

A. Not really.

Q. Okay.

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

Q. Okay. Next exhibit, ending in 352.

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

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

A. Okay.

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

Do you recall receiving this email?

A. I'm reading to myself.

Yeah, I remember this.

Q. Did you act as a reference for DenSco?

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

BE IT KNOWN that the foregoing proceeding was taken before me; that the witness before testifying was duly sworn by me to testify to the whole truth; that the questions propounded to the witness and the answers of the witness thereto were taken down by me in shorthand and thereafter reduced to typewriting under my direction; that the foregoing is a true and correct transcript of all proceedings had upon the taking of said deposition, all done to the best of my skill and ability.

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

[X] Review and signature was requested.
[ ] Review and signature was waived.
[ ] Review and signature was not requested.

I CERTIFY that I have complied with the ethical obligations in ACJA Sections 7-206(F)(3) and 7-206-(J)(1)(g)(1) and (2).

Kelly Sue Oglesby _____ 3/27/2019
Kelly Sue Oglesby Date
Arizona Certified Reporter No. 50178

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

_____ 3/27/2019
JD REPORTING, INC. Date
Arizona Registered Reporting Firm R1012

Exhibit 2

Confidential Private Offering Memorandum

DenSco Investment Corporation

July 1, 2011

No: _____ Name of Payee: _____

Confidential Private Offering Memorandum

DenSco Investment Corporation

General Obligations Notes

Minimum Purchase $50,000

The General Obligation Notes (the "Notes") are general obligations of DenSco Investment Corporation, an Arizona corporation (the "Company"). The Notes, together with all other outstanding notes and all other advances or liabilities owed by the Company to any holder of an outstanding note will be secured by a general pledge of all assets owned by or later acquired by the Company. The Company's largest assets will be the Trust Deeds, as defined herein, acquired by the Company and the Notes will be superior in priority and liquidation preference to Notes subscribed for by officers and shareholders of the Company. Interest will be paid monthly, quarterly or at maturity. The Notes are not insured or guaranteed by any state or federal government entity or any insurance company, and the Company will not establish a sinking fund for the Notes. The Company generally may transfer, sell or substitute collateral for the Notes. The Company may modify the interest rate to be paid on subsequently issued Notes. The Company will use good faith efforts to prepay Notes upon receipt of written request, but the Company will not be obligated to do so. The Notes may be redeemed by the Company prior to maturity upon notice at a price equal to the principal amount of the Notes plus accrued interest to the date of redemption. See "Description of Securities – Note Terms." Default may occur with respect to one Note and not another. The Notes may be purchased directly from the Company without commission. The Company intends to offer the Notes on a continuous basis until the earlier of (a) the sale of the maximum offering, or (b) two years from the date of this memorandum; provided, however, the Company reserves the right to amend, modify and/or terminate this offering if the Company changes its operations or method of offering in any material respect. See "Description of Securities" and "Plan of Distribution."

PRIOR PERFORMANCE

Mr. Chittick organized the Company in April of 2001 to provide a short-term funding source for primarily real estate developers and foreclosure specialists. Mr. Chittick has arranged for the funding and administration of real estate loans since that time. [The chart set forth below indicates the Company's history in raising money from investors, the number of loans made, the aggregate amount of such loans, the underlying values of the security for such loans and any problems with respect to such loans.]

Mr. Chittick initially capitalized the company with one million dollars of his personal funds. From July 2001 through December 2001, an additional $500,000 was raised from investors. In 2002, an additional $930,000 was raised from investors. In 2003, an additional $1,550,000 was raised from existing and new investors. In 2004, the amount from both old and new investors increased to an additional $2,450,000. In 2005, an additional $2,670,000 was raised from existing and new investors. In 2006, an additional $2,800,000 was raised from existing and new investors. In 2007, an additional $2,400,000 was raised from existing and new investors. In 2008, an additional $3,000,000 was raised from existing and new investors. In 2009, an additional $2,100,000 was raised from existing and new investors. In 2010, an additional $2,800,000 was raised from existing and new investors. From January 2011 to June, 2011, an additional $4,700,000 was raised from existing and new investors. Mr. Chittick uses an equity line of credit to help facilitate cash flow for the Company. All of the money raised from investors has been through the sale of promissory notes like those being offered in this placement. Such notes were for terms of 6 to 60 months and have, to date, drawn interest at the rate of 8 to 12% per annum. The Company has never defaulted on either interest or principal for any of such notes.

The money raised by the Company from investors has historically been divided into a large portfolio of loans secured by marketable properties with varying values and locations in the Phoenix metro area. The Company is currently lending in approximately 20 cities in the Phoenix metro area, which includes Maricopa and Pinal Counties. The Company will have loans secured by properties in many of these cities simultaneously. The Company has endeavored to maintain a large and diverse base of borrowers as well as a diverse selection of properties as collateral for

its loans to the borrowers. However, in response to the more recent challenging conditions in the real estate market, the Company has focused on maintaining relationships with borrowers that have a proven track record with a good payment history and performance. The Company continues to strive to achieve a diverse borrower base by attempting to ensure that one borrower will not comprise more than 10 to 15 percent of the total portfolio.

All real estate loans funded by the Company have been and are intended to be secured through first position trust deeds. The loan to value ratio of the Company's overall portfolio has averaged less than 70% and the Company intends to maintain a loan to value ratio of 50% to 65%.

Year	Loans Funded	Loan Value	Value of Loans	Loans Repaid	Loans Repaid Value	Value of Homes Repaid
2001	37	$8,378,000.00	$6,393,000.00	15	$1,452,000.00	$2,431,000.00
2002	69	$5,685,000.00	$878,000.00	66	$5,267,000.00	$9,076,300.00
2003	124	$11,673,000.00	$1,753,500.00	106	$963,500.00	$14,488,500.00
2004	185	$19,907,000.00	$30,422,600.00	170	$17,951,700.00	$26,939,500.00
2005	236	$34,955,700.00	$50,487,300.00	232	$31,001,940.00	$45,111,500.00
2006	215	$34,468,100.00	$52,784,000.00	212	$35,301,250.00	$53,057,200.00
2007	272	$42,579,634.00	$65,931,500.00	257	$41,424,815.00	$65,482,800.00
2008	304	$38,864,660.00	$63,671,300.00	257	$34,578,755.00	$56,369,400.00
2009	412	$41,114,707.00	$72,078,020.00	349	$39,416,824.00	$67,713,100.00
2010	390	$37,973,097.00	$63,771,350.00	355	$37,175,201.00	$61,666,170.00
*2011	378	$36,187,995.00	$62,240,600.00	*300	$29,883,992.00	$51,004,900.00
		$306,786,893.00	$470,411,170.00		$274,416,977.00	$453,340,370.00
	2622			2019		

*Through June 30, 2011

From 2001-2005, all interest due from all loans was collected.

In 2006, one loan that was foreclosed on, and successfully resold, did not pay all the interest due. However, the small uncollected amount was absorbed by the Company.

In 2007, one condominium loan, two house loans, and one land loan were foreclosed. While the condominium and houses were sold with minimal principal loss, much of the interest

was collected on all four loans. One land loan was written off. The loss was absorbed by the Company.

In 2008, one condominium and six homes were sold with minimal principal loss; much of the interest was collected on all the loans. The loss was absorbed by the Company. There were 15 more homes that were either foreclosed on or ownership was acquired through the deed in lieu process. These houses are presently either for sale on the retail market, or have been rented and are for sale on the investor market.

In 2009, one condominium and 12 homes were sold with principle loss; much of the interest was collected on all the loans. The loss was absorbed by the Company. The Company also acquired a 12-plex that was a construction loan. This is being rented and managed by a property management firm.

In 2010, one house was sold for a loss. It was acquired through foreclosure in 2009; the loss was absorbed by the Company.

In 2011, three homes were sold for a loss. The losses were absorbed by the Company. There were three homes that were sold for a gain and all interest was paid in full. One house is presently in escrow, which will close in July, to which a gain will be made.

The Company presently has three condominiums, 12 houses and a 12-plex that are all being rented. A professional management company has been retained to manage these properties. All of these properties are listed to be sold. The rent received is at or slight negative to the cost of capital for the Company. It was Management's decision to retain these properties rather than sell them and take a loss. Now that the market has shown some signs of strengthening, it is believed that these properties can be sold for minimal loss to the Company.

The Company has one condominium and one lot are currently for sale. The lot is currently be negotiated to be rented by a construction company at the cost of capital. The goal is sell both of these properties as soon as possible.

Since inception through June 30, 2011, the Company has participated in 2622 loans, with an average loan amount of $116,000, with the highest single loan being $800,000 and lowest being $12,000. The aggregate amount of loans funded is $306,786,893 with property values totaling $470,411,170. The total amount of loans that have funded and closed is $274,416,977 with home values equaling $453,340,340. These loans have borne interest rates of 18% per annum. The interest rate paid to noteholders has ranged from 8% to 12% per annum through such date. Each and every Noteholder has been paid the interest and principle due to that Noteholder in accordance with the respective terms of the Noteholder's Notes. Despite any losses incurred by the Company from its borrowers, no Noteholder has sustained any diminished return or loss on their investment in a Note from the Company.

MANAGEMENT

Directors and Executive Officers

The Director and Executive Officer of the Company are: Denny J. Chittick, 4_, President, Vice President, Treasurer, and Secretary.

Denny J. Chittick worked at Insight Enterprises, Inc, a publicly traded company, for nearly 10 years, holding many different positions from finance, accounting, operations and held the position of Sr. Vice President and CIO when he left the company in 1997. Since leaving Insight, he has been involved in several different companies, including a software company, internet company and finance company. Mr. Chittick holds a degree in Finance from Arizona State University.

Real Estate Consultant

The Company will have only one employee, which will require the Company to use outside consultants on a periodic basis to provide various services. These consultants may be retained to assist with any necessary due diligence in connection with these loans and, to the extent necessary, to assist with the closing of a loan.

Employees

With the assistance of outside consultants on an as-needed basis, Mr. Chittick intends to operate the Company as its primary employee, analyzing, negotiating, originating, purchasing and servicing Trust Deeds by himself. As the portfolio of contracts increases, the Company may add additional personnel.

Exhibit 3

John E. DeWulf (006850)
Marvin C. Ruth (024220)
Vidula U. Patki (030742)
COPPERSMITH BROCKELMAN PLC
2800 North Central Avenue, Suite 1900
Phoenix, Arizona 85004
T: (602) 224-0999
F: (602) 224-0620
jdewulf@cblawyers.com
mruth@cblawyers.com
vpatki@cblawyers.com

Attorneys for Defendants

SUPERIOR COURT OF ARIZONA

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 **DEFENDANTS' REBUTTAL DISCLOSURE OF EXPERT WITNESS KEVIN OLSON** (Commercial Case) (Assigned to the Honorable Daniel Martin)

Pursuant to the Court's May 16, 2018 Scheduling Order, Defendants Clark Hill PLC and David G. Beauchamp, hereby disclose the attached rebuttal report of Kevin Olson.

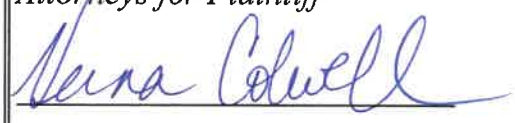
DATED this 7th day of June, 2019.

COPPERSMITH BROCKELMAN PLC

By: _____
John E. DeWulf
Marvin C. Ruth
Vidula U. Patki
2800 North Central Avenue, Suite 1900
Phoenix, Arizona 85004
Attorneys for Defendants

ORIGINAL of the foregoing e-mailed/mailed this 7th day of June, 2019 to:

Colin F. Campbell, Esq.
Geoffrey M. T. Sturr, Esq.
Joshua M. Whitaker, Esq.
OSBORN MALEDON, P.A.
2929 N. Central Ave., Suite 2100
Phoenix, AZ 85012-2793
Attorneys for Plaintiff



REBUTTAL EXPERT OPINION OF KEVIN OLSON

This Rebuttal Opinion pertains to the Expert Report of Neil J. Wertlieb dated March 26, 2019 (the "Wertlieb Opinion"). This Rebuttal Opinion is limited to those aspects of the Wertlieb Opinion that are relevant to the standard of care for Arizona securities lawyers. This Rebuttal Opinion does not address those aspects of the Wertlieb Opinion that concern the standard of care for Arizona lawyers in regard to lawyers' general ethical and professional responsibilities. No interpretation should be drawn or conclusion reached that I agree with any part of the Wertlieb Opinion that is not addressed in this rebuttal. This Rebuttal Opinion is focused on only some of the most important differences between Mr. Wertlieb's opinions and my own.

This Rebuttal Opinion is not intended to modify the opinions stated in my Preliminary Opinion of April 5, 2019 ("Preliminary Opinion"), or as stated in my deposition of May 17, 2019.

Mr. Wertlieb's Qualifications Concerning an Arizona Securities Lawyer's Standard of Care

Mr. Wertlieb has disclosed no experience pertaining to representing clients who are selling securities from Arizona and how Arizona lawyers manage such representations. He disclosed experience with respect to securities offerings while affiliated with a large New York financial center law firm, a law firm that would be expected to represent clients in extremely large offerings—offerings where clients employ lawyers to do the same sort of diligence as is expected in a public offering. Given the amounts to be raised, the lawyer's diligence efforts in such offerings are a small fraction of the amount to be raised and, therefore, budgetary constraints are not significant.

A New York financial center practice is not the reality typically faced by securities lawyers in Arizona who are representing clients using Rule 506 of Regulation D, one of the purposes of which is to minimize the cost of a small offering. In my experience, Arizona clients typically do not believe that they should pay a large percentage of the offering to lawyers and other experts. In return for diligence that, in comparison to the diligence required for a public offering, is narrower in scope (while still satisfying the requirements of Regulation D) clients are willing to assume responsibility for preparing at times significant parts of the offering documents and for confirming the veracity of facts such that their securities lawyers can then reasonably rely on the client's representations. Thus, in my experience, it is not unusual or improper in Arizona in such a Regulation D offering, for Clients to look to lawyers, and lawyers to expect to provide, only the technical advice necessary to allow the client to comply with the obligations imposed by Regulation D. Lawyer's fees then are a fraction of those charged by such firms as Mr. Wertlieb's former firm and lawyer's duties are accordingly much more limited.

Mr. Wertlieb's Conclusions about Mr. Beauchamp's Duties are Inappropriate

Mr. Wertlieb's financial center/large offering orientation leads to a number of conclusions that are not appropriate in a small offering such as those DensCo conducted. Primary examples of problems in his opinion include:

1. In his opinion Mr. Wertlieb repeatedly suggests that Mr. Chittick's desire to wait to update the POM until the Forbearance Agreement was completed is equivalent to a desire not to tell the investors about the Menaged situation in any way. For example, at page 22 he asserts that Mr. Beauchamp "knew that Mr. Chittick did not

want to make *any* disclosures until the Plan had been implemented and the damage contained."

The record does not support Mr. Wertlieb's suggestions. It is true that Mr. Chittick wanted to wait to update the POM until the Forbearance Agreement was completed. In my opinion this was a reasonable delay because, if an updated POM had been issued in January 2014 as Mr. Wertlieb suggests was required, a new update to the POM would have been necessary upon signing of the Forbearance Agreement which was expected in a short time.

In my opinion, it was reasonable for Mr. Beauchamp to rely on Mr. Chittick, who lawfully could inform investors who were making a new or rollover investment (either in DensCo or by loaning money to Mr. Chittick) using written or oral disclosures outside of the POM. Mr. Chittick clearly had up-to-date information about DensCo's current situation and could inform investors just as he had done throughout the period when DensCo (and almost all other hard money lenders) was struggling with the fallout from the real estate collapse in the late 2000s.

2. Mr. Wertlieb places substantial emphasis on the boilerplate statements in the POM and subscription agreement, each of which state that the investor is not authorized to rely on representations made outside of the POM. These boilerplate statements are standard in offering documents in order to protect companies selling securities from representations by brokers and salesman who have no authority to act on behalf of the seller. They are not intended to preclude authorized officers of the company itself from providing additional information to investors.

   For example, even in this case the POM notes that the investor has been given the opportunity to meet with and ask questions of DensCo management. The information provided through that process is clearly information that investors were entitled to rely on notwithstanding the boilerplate in the offering documents. Mr. Chittick as sole owner, director and officer of DensCo, had full authority to make appropriate additional representations and it was reasonable for Mr. Beauchamp to believe that any investments (either in DensCo or by loan to Mr. Chittick) were made only after Mr. Chittick informed investors of DensCo's current situation.

3. Mr. Wertlieb's criticizes the draft 2014 POM that Clark Hill lawyers provided Mr. Chittick because it did not yet contain the full disclosure of facts that would be expected in a final POM. He seems to overlook the numerous blanks and questions for Mr. Chittick contained in the draft and assumes that the lawyers should have somehow divined the information needed to complete the draft even though only Mr. Chittick had access to that information. Mr. Wertlieb's criticism here is, I suspect, a result of his financial center orientation—it certainly is likely that in a financial center offering the lawyers and accountants will work with lower level staff to secure and confirm the information that is eventually to be presented to senior management for its approval. In my experience, that is not the reality, in a small offering in Arizona where the client does the diligence for the offering. The draft 2014 POM Clark Hill prepared appears to me to identify the topics Mr. Chittick needed to address to complete the POM and to ask Mr. Chittick to prepare the information necessary to do so. Clark Hill's draft was presented to Mr. Chittick in a form that clearly required more information. The information Mr. Chittick supplied might well have led to further changes and questions, as is normal in the iterative process necessary to complete a POM.

To criticize a draft that asks the client to provide information, because the draft fails to include that information, demonstrates a fundamental misunderstanding of the common practice in Arizona for Regulation D offerings, where clients often decide to develop information rather than pay lawyers (or accountants) to do so. Rule 506 of Regulation D, in its authorization to provide accredited investors information in any form and only to the extent material, clearly permits the client to take control of the information and does not require that lawyers and accountants do the diligence required in a public offering.

4. At pages 18 to 20 of his opinion Mr. Wertlieb questions the terms of the Forbearance Agreement Mr. Chittick negotiated with Mr. Beauchamp's help, suggesting that the terms were less favorable to DensCo than they should have been and that the benefits DensCo received were inadequate. Mr. Wertlieb's suggestion overlooks the reality that the Forbearance Agreement was a result of a negotiation with another party—a party who clearly had his own priorities and insisted on terms to satisfy those priorities. Given this reality, Mr. Beauchamp repeatedly advised Mr. Chittick about DensCo's duties to its investors and the nature of the risks created by the terms of the Forbearance Agreement.

   Once Mr. Beauchamp advised Mr. Chittick about the risks involved in certain terms proposed for the Forbearance Agreement, it was Mr. Chittick's prerogative to decide upon the risks DensCo would accept, and the benefits it would require, as part of the final agreement. Acceptance of the final terms was a business decision that no Arizona securities lawyer should undertake in place of his or her client. Only Mr. Chittick knew the details underlying DensCo's business. Only he could weigh the risks of the Forbearance Agreement against the alternatives (including a "no deal" alternative that seems likely to have generated litigation that would have involved significant time, cost and uncertainty for DensCo). Mr. Beauchamp, unless asked, neither could nor should impose his own judgment in place of Mr. Chittick within the standard of care for Arizona securities lawyers.

5. Similarly, Mr. Wertlieb specifically questions the confidentiality obligations DensCo accepted in the Forbearance Agreement. Certainly, as evidenced by Mr. Beauchamp's efforts to help Mr. Chittick negotiate less restrictive confidentiality obligations, most Arizona securities lawyers would prefer not to accept the sort of confidentiality obligations Mr. Chittick eventually accepted for DensCo. Again, however, the Forbearance Agreement was the result of negotiation and not a document any party could dictate. Under the standard of care for Arizona securities lawyers, it was not unreasonable for Mr. Beauchamp to accept Mr. Chittick's business decision that the terms were better than a failure to reach a deal.

6. Finally, at pages 40 to 44 of his opinion, Mr. Wertlieb asserts that DensCo was a high risk client and that as a result of this risk Clark Hill and Mr. Beauchamp should have engaged in "extraordinary monitoring" of DensCo and Mr. Chittick and, therefore, been ready to act immediately when any issue was identified with respect to its business. It is true that DensCo had characteristics of a high-risk business. Certainly, a hard-money lending business that relies on borrowed money for its own capital needs is at risk of financial reversals that may force it into bankruptcy.

   Against the risk associated with a hard money lending business, DensCo and Mr. Chittick had demonstrated (a) a willingness to seek and then largely follow Mr.

Beauchamp's advice and (b) the ability to manage through the most difficult real estate market since at least World War II—a market that brought down many hard-money lenders and others who were in less risky parts of the real estate industry. Mr. Beauchamp had observed DensCo and Mr. Chittick through over a decade's worth of working together. The credibility gained through this relationship reasonably led Mr. Beauchamp to give Mr. Chittick the benefit of the doubt when DensCo encountered problems. Mr. Wertlieb's suggestion that Mr. Beauchamp should have inserted himself into DensCo's business as a mini-receiver supervising Mr. Chittick because of alleged "high" risk is neither consistent with the reality of 10 years of work nor part of the standard of care imposed on an Arizona securities lawyer.

Reservation of Rights

The reservation of rights that I set forth in my Preliminary Opinion pertain as well to this Rebuttal Opinion.

This statement is made under penalty of perjury.

DATED this 7th day of June, 2019.

Kevin Olson

Exhibit 4

John E. DeWulf (006850)
Marvin C. Ruth (024220)
Vidula U. Patki (030742)
COPPERSMITH BROCKELMAN PLC
2800 North Central Avenue, Suite 1900
Phoenix, Arizona 85004
T: (602) 224-0999
F: (602) 224-0620
jdewulf@cblawyers.com
mruth@cblawyers.com
vpatki@cblawyers.com

Attorneys for Defendants

SUPERIOR COURT OF ARIZONA

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 **DEFENDANTS' DISCLOSURE OF EXPERT WITNESS SCOTT J. RHODES** (Commercial Case) (Assigned to the Honorable Daniel Martin)

Pursuant to the Court's May 16, 2018 Scheduling Order, Defendants Clark Hill PLC and David G. Beauchamp, hereby disclose the attached report of Scott J. Rhodes.

DATED this 5th day of April, 2019.

COPPERSMITH BROCKELMAN PLC

By: _____
John E. DeWulf
Marvin C. Ruth
Vidula U. Patki
2800 North Central Avenue, Suite 1900
Phoenix, Arizona 85004
Attorneys for Defendants

ORIGINAL of the foregoing e-mailed/mailed this 5th day of April, 2019 to:

Colin F. Campbell, Esq.
Geoffrey M. T. Sturr, Esq.
Joshua M. Whitaker, Esq.
OSBORN MALEDON, P.A.
2929 N. Central Ave., Suite 2100
Phoenix, AZ 85012-2793
Attorneys for Plaintiff

PRELIMINARY EXPERT DECLARATION OF J. SCOTT RHODES

I, J. Scott Rhodes, give the following preliminary expert opinion under penalty of perjury:

QUALIFICATIONS

A. I am an Equity Member and the General Counsel of Jennings, Strouss & Salmon, PLC ("Jennings Strouss") and have been licensed to practice law in the State of Arizona since 1995.[1]

B. Over 24 years of practice, with the exception of a one-year judicial clerkship at the Arizona Supreme Court, I have been engaged in the practice of law at Jennings Strouss. Throughout my career, I estimate that I have represented more than 1,500 lawyers and law firms in matters related to lawyer professional responsibility, fee and partnership disputes, and other matters related generally to lawyer professional responsibility and the law of lawyering. I further estimate that representation of lawyers and law firms constitutes 90% of my practice.

C. I served as the first General Counsel of Jennings Strouss from 2006 until 2010. I served on the firm's Management Committee from 2005 through 2008 and was the Managing Attorney from December 2009 to May 2015. Since May 2015, I have served as the firm's General Counsel.

D. I was retained by counsel for Defendants Clark Hill PLC, David G. Beauchamp and Jane Doe Beauchamp, in the matter under the caption *Peter S. Davis, as Receiver for DenSco Investment Corporation v. Clark Hill PLC et al.* (Maricopa County Superior Court Case No. CV2017-013832) to render a preliminary expert opinion regarding the standard of care for attorneys in Arizona as determined by and established in regard to lawyer's professional and ethical obligations. My opinions are not intended to, and do not, include the standard of care specific to lawyers practicing in the area of securities law. Any references herein to securities law are factual in nature, not expressions of opinion about securities law or the conduct of securities lawyers. My opinions relate to the standard of care for any Arizona lawyer (including, but not limited to, securities lawyers), as determined by lawyers' ethical and professional obligations in Arizona.

E. I am being compensated for my services at an hourly rate of $500. Other than my fees, I have no stake in the outcome of this litigation.

GENERAL PRINCIPLES

1. In formulating my preliminary opinions, I remained cognizant of the following principles that generally guide expert opinions:

[1] A more detailed summary of my professional background and qualifications is contained in my CV, which is attached hereto as Exhibit "A."

(a) The purpose of expert testimony is to assist the trier of fact, which may include the application of facts to law.

(b) Experts rely on their understanding of facts presented to them in the record of a case as of the time of their opinions and assume that those facts are and will be supported by evidence introduced at any proceeding on the merits of the case.

(c) The Arizona Rules of Professional Conduct[2] are intended to be viewed, interpreted and applied in a context encompassing all laws and legal principles applicable to a lawyer's conduct.

(d) The Ethical Rules are intended to be viewed, interpreted, and applied in light of the facts and circumstances in existence and known to a lawyer when the lawyer's conduct occurred.

DOCUMENTS REVIEWED AND FACTUAL BASIS

In formulating my preliminary opinions in this matter, I relied on my background and experience in the field of professional responsibility, interviewed Defendants' counsel, and reviewed documents as listed on Exhibit "B."[3]

PRELIMINARY OPINIONS

General Concepts About the Standard of Care in Arizona

1. The Ethical Rules are promulgated by the Arizona Supreme Court and are codified at Rule 42 of the Arizona Rules of the Supreme Court. Although Arizona's version of the Ethical Rules is based on the American Bar Association's Model Rules of Professional Conduct (the "Model Rules"), the Arizona Supreme Court has jurisdiction over the practice of law in Arizona, which includes deciding whether to adopt the Model Rules as written or to change them. *See* Rule 31(a), Ariz. R. Sup. Ct.; *see also* ER 8.5.

2. The standard of care in an Arizona legal malpractice case is determined by the applicable standard of care in Arizona, as established by Arizona law and practice. *See Collins v. Miller & Miller,* 189 Ariz. 387, 394, 943 P.2d 747, 754 (App. 1996). Because the Model Rules are not Arizona law, they are not relevant to the standard of care in Arizona.

3. The Ethical Rules may be considered by a trier of fact as an aid in "understanding and applying" the standard of care in Arizona. RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS ("RESTATEMENT") ¶ 52(2)(c); *see also* Ethical Rules, Preamble, ¶ [20] ("Nevertheless, since the Rules do establish standards of conduct by lawyers, a lawyer's violation of a Rule may be evidence of breach of the

---

[2] Referred to herein generally as the "Ethical Rules," or specifically as "ER *x*."

[3] I reviewed documents only with respect to the issues relevant to my opinion.

applicable standard of conduct."); *Elliott v. Videan*, 164 Ariz. 113, 791 P.2d 639 (App. 1989).

4. The Ethical Rules are "rules of reason" that "should be interpreted with reference to the purposes of legal representation and of the law itself." Ethical Rules, Preamble, ¶ 14.

5. The concept that the Ethical Rules are "rules of reason" encompasses the fact that lawyers must exercise professional judgment in many circumstances. In that regard, the Ethical Rules do not offer one-size-fits-all instructions for a lawyer to follow in every situation.

6. As stated in the Preamble, a lawyer can have "discretion to exercise professional judgment," especially in any context where the Ethical Rules use discretionary language (*i.e.*, "may"). Preamble, ¶ 14.

7. The concept of professional discretion, or judgment, resides throughout the Ethical Rules, not only in the rules that use "may" instead of "shall." For example, professional judgment is also inherent in those Ethical Rules that allude to a lawyer's application of "reason" to relevant facts. ER 1.0(h) defines "reasonable or reasonably" as "the conduct of a reasonably prudent and competent lawyer." Similarly, ER 1.0(i) states that the term "reasonable belief," as used in the Ethical Rules, "denotes that the lawyer believes the matter in question and that the circumstances are such that the belief is reasonable."

8. Professional judgment also is an inherent part of the Ethical Rules that require a lawyer to have a knowing mental state, or knowledge of facts relevant to the lawyer's conduct. Such knowledge can be "inferred from the circumstances." *See* ER 1.0(f). However, the circumstances from which any such inferences would be drawn are those "as they existed at the time of the conduct in question and in recognition of the fact that a lawyer often has to act upon uncertain or incomplete evidence of the situation." *See* Preamble, ¶ 19.

9. When a lawyer exercises professional judgment, then the first step in determining the standard of care is to ask what the lawyer knew at the time about the relevant facts and circumstances that were pertinent to the lawyer's judgment. In sum, first the trier of fact should determine what the lawyer knew at the time of the lawyer's conduct, then the trier of fact considers what a reasonably prudent lawyer would have done, or not done, under those same circumstances.

The Lawyer as Counselor and Keeper of Confidences

10. One of a lawyer's principal roles in representation of a client is that of counselor. Thus, while a lawyer is of course prohibited to assist a client to commit criminal or fraudulent conduct, or to participate in such conduct, the lawyer "may discuss the legal consequences of any proposed course of conduct with a client and may counsel or assist a client to make a good faith effort to determine the validity, scope, meaning or application of the law." ER 1.2(d).

11. In acting in the role of counselor for a client, a lawyer must "abide by a client's decisions concerning the objectives of the representation ... and shall consult with the client as to the means by which they are to be pursued." *Id.*

12. A lawyer's duty of confidentiality to a client is also fundamental to the attorney-client relationship, encompassing the lawyer's duty to guard against disclosure of any "information relating to the representation," unless certain narrow exceptions apply, and even then a lawyer can disclose confidences only "to the extent the lawyer reasonably believes necessary." ER 1.6.

When Lawyers Represent Organizations

13. Lawyers can, and often do, represent organizations. When a lawyer represents an organization, such as DenSco, then as a general rule the lawyer does not also represent the organization's "duly authorized constituents." ER 1.13(a).

14. That being said, when a lawyer represents an organization that is run and managed by one person, such as DenSco, then as a practical matter, there is little or no distinction between the entity and the entity's principal, who is duly authorized to make decisions and communicate for the entity, including making assignments to the entity's lawyer.

15. A lawyer for an organization is not required, nor usually even is authorized, to scrutinize the business decisions of the entity's principal business leaders. This is true even if a lawyer is an entity's "general counsel." A "general counsel" is a lawyer hired or retained to oversee or conduct all (or virtually all) of the legal services for the entity. A "general counsel" still operates under the direction of the entity's business leadership, not the other way around.

16. I have seen no evidence indicating that Mr. Beauchamp and his law firms were DenSco's "general counsel," or the equivalent of that role. Rather, the retention of Mr. Beauchamp and his firms was to perform certain, discrete tasks from time to time under Mr. Chittick's authority and direction as DenSco's principal. Such tasks largely were related to securities, but they also included loan documentation, lending procedures, and other compliance matters.

17. In my experience in regard to Arizona lawyers' ethical and professional responsibilities, a lawyer's professional judgment includes the lawyer's assessment of the client's knowledge and experience. Therefore, the extent to which a lawyer has to explain a matter to a client can vary depending on the client's knowledge and experience. Indeed, "[a] lawyer need not inform a client *or other person* of facts or implications already known to the client *or other person* ...." ER 1.0, cmt. [6](emphasis added). In my experience, this concept of tailoring communications to the lawyer's assessment of the general knowledge and experience of the client or "other person" regularly applies when a lawyer represents a business entity that is managed by an individual who has successfully managed that entity for years, as was the case in regard to Mr. Chittick's management of DenSco.

18. In such a situation, where in a lawyer's professional judgment, a client or client representative possesses sufficient knowledge and experience relevant to the subject-matter of the representation, and the lawyer possesses no knowledge of facts indicating that the client or client representation lacks veracity, then under the standard of care as determined by Arizona lawyers' ethical and professional obligations, the lawyer reasonably can rely on the client or client

representative to furnish the lawyer with all facts and information relevant to the lawyer's representation.

A Lawyer's Duties When Difficult Issues Arise for an Organizational Client

19. In Arizona, ER 1.13 covers, in part, a lawyer's options and obligations when a lawyer knows that someone associated with an organizational client has committed or intends to commit "an act in a matter related to the representation that is a violation of a legal obligation to the organization, or a violation of law that reasonably might be imputed to the organization, and that is likely to result in substantial injury to the organization ...." ER 1.13(b).

20. When such a situation arises, the lawyer must "proceed as is reasonably necessary in the best interest of the organization." *Id.*

21. As a preliminary matter, the relevant parts of ER 1.13 pertain to situations that tend to be rare in their nature and that either actually or potentially could have extreme consequences for the organizational client. Like all of the Ethical Rules, a lawyer's conduct, as measured by ER 1.13, depends on examination of all the facts and circumstances known to the lawyer at the time of the lawyer's conduct. In addition, ER 1.13 is structured around a series of professional judgments by the lawyer, and consequent options that are available to the lawyer, all of which must be considered in regard to what the lawyer knew at the time. These matters are not to be judged in hindsight.

22. An ER 1.13 analysis begins with a threshold issue -- whether the lawyer "knows" that "an officer, employee or other person associated with the organization is engaged in action, intends to act or refuses to act" in an unlawful manner "that might be imputed to the organization" and that "is likely to result in substantial injury to the organization." ER 1.13(a).

23. Knowledge by the lawyer is required and, as previously stated, such knowledge is determined by the facts and circumstances of which the lawyer was contemporaneously aware. Thus, while knowledge can be "inferred from the circumstances," the relevant circumstances must be based on information that the lawyer had available to him or her at the time of the lawyer's conduct. *See* ER 1.0(f); ER 1.13, cmt. [3]. Therefore, the standard of care as determined by Arizona lawyers' ethical and professional obligations is not based on what someone else later decides the lawyer should have known.

24. While it is true that "a lawyer cannot ignore the obvious," the lawyer nevertheless, within the standard of care as determined by Arizona lawyers' ethical and professional obligations, can (and should) consider such factors as "the apparent motivation of the person involved." ER 1.13, cmt. [4].

25. Based on Mr. Beauchamp's years of representing DenSco, and his knowledge of and experience with Mr. Chittick successfully managing DenSco for several years, and Chittick's history of substantially following Mr. Beauchamp's advice over the years of Beauchamp's representation of DenSco, when in mid-December 2013 Beauchamp first became aware of the possible existence of a certain number of "double lien" events, Chittick's motivation appeared at the time

to have been to document as quickly as possible his plan to resolve the issue then to disclose the issue and his plan to DenSco investors.

26. In late 2013 and early 2014, Mr. Beauchamp had no reason to suspect, much less to "know" that Chittick himself was engaging, or was intending to engage, in any illegal conduct that could be imputed to DenSco, which is the threshold issue under ER 1.13. Indeed, it appeared in late 2013 and early 2014, based on what Mr. Beauchamp was being told, that, far from being a perpetrator of bad acts, Chittick (and thus DenSco) was the victim of bad acts perpetrated by a third party, *i.e.*, Menaged's cousin.

27. As previously stated, under the standard of care as determined by an Arizona lawyer's ethical and professional obligations, because of his knowledge of Chittick's history of substantial compliance with his legal advice, as well as his knowledge of Chittick's successful management of DenSco for a period of years, Beauchamp could rely on Chittick's representations to him about facts relevant to the "double lien" issue and also could rely on Chittick's business plan for resolution of that issue. Beauchamp also could assume, within the standard of care as determined by Arizona lawyers' ethical and professional obligations, that Chittick's interests were aligned with the interests of Beauchamp's client, DenSco, such that Beauchamp was not required to admonish Chittick that Beauchamp was not his lawyer, nor was he required to advise Chittick to seek independent counsel. *See* ERs 1.13(f) and 4.3. In short, within the standard of care as determined by Arizona lawyers' ethical and professional obligations, Beauchamp reasonably could consider that DenSco's interests and those of its principal, Chittick, were the same, such that the DenSco and Chittick were one client, not separate or distinct clients, nor one client and a party with adverse interests. In my opinion, there was no conflict of interest in late 2013 and early 2014, as determined by ERs 1.7 or 1.9.

28. After learning in early January 2014 that there were multiple "double lien" events, Mr. Beauchamp acted within the standard of care, as determined by Arizona lawyers' ethical and professional obligations, by promptly communicating with and counseling Chittick about the legal ramifications to DenSco of the "double lien" issue, including DenSco's disclosure obligations to investors and refraining from raising new funds without disclosures. Beauchamp further fulfilled his counseling obligations by impressing on Chittick that the legal ramifications might include considerations about the timing of disclosures. In this regard, Beauchamp's ethical obligations centered around ERs 1.2 (scope of representation) and 1.4 (communication), and he fulfilled those obligations.

29. Chittick did not at that time (late 2013 and early 2014) refuse to follow Mr. Beauchamp's advice. Beauchamp could rely on Chittick's history of substantial compliance with Beauchamp's legal advice and assume that Chittick's conduct in respect to the "double lien" issue would also substantially comply with his advice. Chittick's decision to complete documentation of his business plan for resolving the "double lien" issue before making the disclosures that Beauchamp counseled him to make did not diminish Beauchamp's ability, within the standard of care as determined by Arizona lawyers' ethical and professional obligations, to assume that Chittick would follow his legal advice.

Lawyers For a Business Are Advisors, Not Regulators

30. Beauchamp had no duty to override Chittick's business decision to complete documentation of his plan to resolve the "double lien" issue so that he could include the resolution plan in his disclosure to investors. To the contrary, in my opinion Beauchamp was ethically prohibited in late 2013 and early 2014 from taking any action that would have been contrary to Chittick's business decisions. He was prohibited from taking any such action because, based on the information that Beauchamp had at the time, he lacked knowledge of any wrongful conduct by Chittick, and such knowledge would have been necessary to trigger ER 1.13's requirement to take action contrary to Chittick's business decisions. *See* ER 1.13(a)("if a lawyer for an organization *knows* that an officer ... is engaged in action, intends to act or refuses to act in a matter related to the representation that is a violation of law ....")(emphasis added.) Because Beauchamp had no such knowledge, Beauchamp's duties at that time, as stated above, were informed by ERs 1.2 and 1.4, both of which relate to counseling clients in difficult situations. Beauchamp met those duties.

31. Because, in order to illustrate how ER 1.13 functions in Arizona, I expressed in the preceding paragraph Beauchamp's mental state in the negative (*i.e.*, that he lacked the kind of knowledge of any misconduct or intended misconduct by Chittick that is a prerequisite for action under ER 1.13), I will add for clarity that, to fully understand Beauchamp's conduct within the standard of care as determined by Arizona lawyers' ethical and professional obligations, it is important to consider what Beauchamp did know, as opposed to focusing solely on what he did not know. As previously stated, Beauchamp knew that, through the years of his representation of DenSco, Chittick substantially had complied with Beauchamp's legal advice and had successfully managed DenSco. Beauchamp's knowledge in these regards informed his reasonable reliance on Chittick's communications about the "double lien" issue, and his belief that Chittick would once again follow his advice. Therefore, Beauchamp's lack of requisite knowledge under ER 1.13 was not willful. Instead, it reflected the *presence* of other knowledge that, under the standard of care as determined by Arizona lawyers' ethical and professional obligations, placed Beauchamp's duties in late 2013 and early 2014, not under ER 1.13, but instead under ERs 1.2 and 1.4. As such, his ethical and professional obligations to DenSco at that time were to act as DenSco's legal advisor and counselor, not as an adversary to Chittick in his capacity as DenSco's principal.

32. Mr. Beauchamp not only had no ethical duty to, in essence, take over from Chittick the investigation of Menaged's conduct and DenSco's reaction to the "double lien" issue, he was ethically prohibited from doing so. As stated in the comment to ER 1.13, a lawyer for an organization must give deference to the organization's business leadership, because "[w]hen constituents of the organization make decisions for it, the decisions ordinarily must be accepted by the lawyer even if their utility or prudence is doubtful. Decisions concerning policy and operations, including ones entailing serious risk, are not as such in the lawyer's province." ER 1.13, cmt. [3].

33. When Beauchamp became aware of multiple "double lien" events in January 2014, he quickly and appropriately counseled Chittick about the legal ramifications of the issues, and Chittick's responses indicated that he understood DenSco's obligations based on Beauchamp's admonitions. Chittick then made a business decision, which was not to eschew disclosure altogether, but rather to complete documentation of his plan to resolve the "double lien" issue so as to include the plan with the disclosure of the issue to investors. Even if Chittick's decision involved some risk, under the standard of care as determined by Arizona lawyers' ethical and professional obligations, that business decision was Chittick's decision to make. The Ethical Rules did not authorize, much less mandate, Beauchamp to seize control of the DenSco decision-making process from Chittick.

34. Nor did the Ethical Rules authorize, much less mandate, Beauchamp to perform an independent investigation into Menaged. Because at the time Beauchamp did not know that Chittick was not telling him the truth about the duration or scope of his relationship with Menaged, or the duration and scope of the "double lien" issue, when Beauchamp first learned about Menaged, it appeared that Menaged was a victim of his cousin's fraud, and, like the next domino in line, Densco was also a victim of Menaged's cousin. Beauchamp's knowledge about Menaged at the time came from Chittick. His advice to Chittick was based on Beauchamp's years of experience with Chittick, as previously stated. Unless Chittick had asked him to investigate Menaged, for Beauchamp to have done so at the time would have exceeded the scope of his representation and would have violated his ethical duties under ER 1.2, which requires an Arizona lawyer to "abide by a client's decisions concerning the objectives of the representation ...."

35. Beauchamp did not know at the time that, over a year earlier, Chittick had started the slow process of falling victim to Menaged's skilled use of fraud and deception. Chittick hid all facts relevant to Menaged from Beauchamp (and apparently from DenSco's accountant as well). Beauchamp, therefore, responded to a situation that, while it appeared serious, was within the range of a client representative's decision-making authority after consultation with legal counsel, even if the decisions he made might have entailed risk. (Importantly, Chittick never indicated he would *not* disclose; the only issue appeared to be about *when* he would disclose. He indicated to Beauchamp that he expected to have an approach to resolve the issues, and to be ready to disclose, within just a few weeks.) These facts, when viewed (as they must be) from the perspective of what Beauchamp knew at the time, support a conclusion that Beauchamp's advice and counsel to Chittick were within the standard of care as determined by Arizona lawyers' ethical and professional obligations.

36. To try in hindsight to impose a duty on Mr. Beauchamp that allegedly required him to intervene in contravention of Chittick's business decisions during the time period of late 2013 and early 2014 is an effort unsupported by the Ethical Rules. This is true for the reasons previously stated. It is also true, however, even if one assumes, for argument's sake, that Beauchamp should have divined that the duration and scope of Menaged's fraud against DenSco were greater than Chittick had revealed to Beauchamp. Under certain extreme circumstances, ER 1.13 allows a lawyer to disclose client confidences "whether or not Rule 1.6 permits such

disclosure." ER 1.13(c). However, a lawyer's authority to make such disclosures exists only if "despite the lawyer's efforts" the company's "highest authority" fails to address an act "that is a clear violation of law" *and* the lawyer "reasonably believes that the violation is reasonably certain to result in substantial injury to the organization." *Id.* Importantly, if both of these preliminary requirements are met under ER 1.13, then the result is not a mandate to investigate and disclose; rather, the result is that the lawyer *has discretion to disclose* a certain amount of confidential information. *Id.* ("... then the lawyer *may* reveal information relating to the representation ...." (emphasis added).)

37. Moreover, if both of the above-described parameters for disclosure exist, and if a lawyer chooses to disclose, then ER 1.13 further restricts the lawyer's actions by providing that any disclosure must be made "only if and to the extent the lawyer reasonably believes necessary to prevent substantial injury to the organization." *Id.*

38. This limitation on the nature and scope of a disclosure is particularly relevant in this case, because a central issue pertains to when disclosures would be made to investors. (The issue is not whether they would be made, because Chittick indicated in December 2013 and early 2014 that he did intend to disclose.) Investors were not part of DenSco. They were third parties. ER 1.13 warns lawyers about permissive disclosures to third parties, as follows: "Any measures taken should, to the extent practicable, minimize the risk of revealing information relating to the representation outside the organization." ER 1.13, cmt. [4]. Under the standard of care as determined by Arizona lawyers' ethical and professional obligations, this concept of minimizing a risk of disclosure outside of the organization is consistent with the concept of allowing Chittick some time to try to document his plan to resolve the "double lien" issue and to include that plan in any necessary disclosures.

39. A lawyer does not fall below the standard of care, as determined by Arizona lawyers' ethical and professional obligations, if a lawyer does not know that a client (or client representative, like Chittick) has lied to the lawyer. This is especially true when, as here, there were no prior indicia of the client's lack of veracity.

40. Lawyers are not omniscient. Under the standard of care as determined by Arizona lawyers' ethical and professional obligations, lawyers do not have a duty to demand information beyond the scope of the legal services that a client wants a lawyer to perform. Clients, not lawyers, establish the scope of a legal representation and its objectives. ER 1.2. So long as the scope is reasonable and the objectives are legal, a lawyer must respect them and employ reasonable, legal and ethical means to try to achieve them. *Id.*

41. Lawyers are not the investigators of their clients. If they were, then the trust that is an essential element of any lawyer-client relationship would evaporate and be replaced by mutual suspicion. For this reason, the standard of care as determined by Arizona lawyers' ethical and professional obligations allows lawyers to rely on their professional judgment when they assign a degree of trust and confidence to their clients. The history of Chittick's attorney-client relationship

with Beauchamp was not an omen of Chittick's disseminations to Beauchamp about the duration and depth of the "double lien" issue, much less about Menaged's fraud. Under the standard of care in Arizona as determined by Arizona lawyers' ethical and professional obligations, Mr. Beauchamp must be judged based on what he knew, not on what Chittick hid from him.

42. After completing the forbearance agreement negotiations, Mr. Beauchamp tried without success to convince Chittick to make the required disclosures to investors. When his efforts failed, Beauchamp appropriately terminated the attorney-client relationship in May 2014. The standard of care as determined by ethical and professional obligations did not require him to terminate the relationship in writing, nor to state his reasons for doing so.

43. When he withdrew from the representation, Mr. Beauchamp was not under a mandatory ethical or professional duty to disclose confidential information. His advice to Chittick had been clear – that DenSco had a duty to disclose the "double lien" issue to investors. DenSco's failure to disclose did not create an ethical duty for Beauchamp to step into DenSco's shoes (or Chittick's shoes) and make the disclosures himself. As stated above, under ER 1.13, any such disclosures would have been optional, not mandatory, and under ethical and professional standards any disclosures outside the organization (such as to investors) were discouraged. There were no mandatory disclosure obligations under ER 1.6 pertaining to confidentiality in general.

44. Following Chittick's suicide, Beauchamp and Clark Hill's short-lived legal work to help start the administration of his estate and communicate with investors and the Arizona Corporation Commission were discrete tasks that, because of Beauchamp's history with the company, it was logical for his firm to perform. In essence, like Emergency Room doctors, Beauchamp and the firm stabilized the situation and then passed it on to other lawyers. Lawyers are permitted to give legal assistance in an emergency if the assistance is "limited to that reasonably necessary under the circumstances." ER 1.1, cmt. [3].

45. In my opinion, based on my experience and knowledge, Defendants' conduct was at or above the applicable standard of care in Arizona as defined by Arizona lawyers' ethical and professional obligations.

RESERVATION OF RIGHTS

I reserve the right to amend or supplement this opinion and to offer additional opinions if additional facts are brought to my attention (provided that I believe such additional facts warrant modification of the opinion), if opposing counsel asks questions that require modification or supplementation of the opinions stated herein, or if I am asked to provide a rebuttal opinion or testimony.

This statement is made under penalty of perjury.

DATED this 5th day of April, 2019.

J. Scott Rhodes

Exhibit 5

John E. DeWulf (006850)
Marvin C. Ruth (024220)
Vidula U. Patki (030742)
COPPERSMITH BROCKELMAN PLC
2800 North Central Avenue, Suite 1900
Phoenix, Arizona 85004
T: (602) 224-0999
F: (602) 224-0620
jdewulf@cblawyers.com
mruth@cblawyers.com
vpatki@cblawyers.com

Attorneys for Defendants

SUPERIOR COURT OF ARIZONA

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 **DEFENDANTS' EIGHTH SUPPLEMENTAL RULE 26.1 DISCLOSURE STATEMENT**

Defendants Clark Hill PLC, David G. Beauchamp and Jane Doe Beauchamp (collectively, "Defendants") supplement their initial disclosure statement according to Arizona Rule of Civil Procedure 26.1. Defendants reserve the right to amend or supplement this disclosure statement as discovery progresses.

This case is in process and thus the content of this disclosure statement is preliminary and subject to supplementation, amendment, explanation, change and amplification. Because discovery is continuing, there may be information, documents, and materials related to the various allegations and defenses set forth in the pleadings of which Defendants are presently unaware. Defendants note that they do not currently have access to all potentially relevant

hard money lending would not have been atypical given the real estate market at the time, and DenSco had provided assurances that it had adequate internal procedures to manage its business.

In addition, Mr. Beauchamp and his prior law firms, including Gammage & Burnham, provided advice to DenSco regarding proper loan documentation and procedures since at least 2007. DenSco and Mr. Chittick were both advised, and understood, (a) that DenSco should fund loans through a trustee, title company or other fiduciary, (b) that DenSco was representing to its investors that DenSco's loans would be in first position, and (c) that it was of fundamental importance that DenSco safeguard the use of its investors' funds in conjunction with properly recording liens, in order to ensure that DenSco's loans were in first position.

In early summer 2013, Mr. Beauchamp advised DenSco that it needed to update its 2011 POM given the passage of time and changes in the scope of DenSco's fund raising. Mr. Chittick was well aware based on historical practice and his work with other hard money lenders, including Mr. Gould and Mr. Koehler, that it was necessary to keep investors up to date with regular disclosures. In particular, based on Mr. Chittick's representations to Mr. Beauchamp, DenSco either had or would soon eclipse the $50 million maximum offering set forth in the 2011 POM. Consequently, Mr. Beauchamp began drafting revisions to the 2011 POM, which included updates to the maximum offering and updates on DenSco's performance to date, among other revisions. Mr. Beauchamp, however, was never able to finalize the 2013 POM. Although Mr. Beauchamp asked for updated investment, loan and financial information regarding DenSco, Mr. Chittick stalled on providing the information, preferring to wait until after he scaled down the amount outstanding to investors. Mr. Beauchamp repeatedly advised DenSco that an update was necessary irrespective of DenSco's plans regarding the outstanding amount of its offerings, and opened a file at Clark Hill to complete the update, but Mr. Chittick continued to delay.

D. Mr. Beauchamp leaves Bryan Cave, hears nothing from Mr. Chittick for months.

Mr. Beauchamp left Bryan Cave at the end of August 2013. Prior to his departure, Mr. Beauchamp had repeatedly made clear to DenSco and Mr. Chittick that they needed to update DenSco's POM. On August 30, 2013, Mr. Beauchamp and Bryan Cave sent Mr. Beauchamp's clients, including DenSco, a joint separation letter informing them that Mr. Beauchamp was joining Clark Hill effective as of September 1, 2013. The letter invited those clients to either request the transition of their files to Mr. Beauchamp or affirmatively request that the files remain at Bryan Cave. Mr. Chittick initially agreed to transfer a portion of DenSco's files to Clark Hill, but aside from DenSco's authorization letter, Mr. Beauchamp never heard from Mr. Chittick regarding the unfinished 2013 POM, or any other matter, until December 2013.

E. DenSco contacts Mr. Beauchamp in late 2013, slowly reveals scope of Menaged issues over several months

In December 2013, Mr. Chittick contacted Mr. Beauchamp for the first time in months. He told Mr. Beauchamp over the phone that he had run into an issue with some of his loans to Menaged, and specifically, that properties securing a few DenSco loans were each subject to a second deed of trust competing for priority with DenSco's deed of trust. Mr. Beauchamp reminded Mr. Chittick that he still needed to update DenSco's private offering memorandum. After briefly discussing the allegedly limited double lien issue, Mr. Chittick emphasized to Mr. Beauchamp that Mr. Chittick wanted to avoid litigation with other lenders. Mr. Chittick, however, did not request any advice or help. Rather, Mr. Chittick indicated that he wanted to continue working on a plan with Menaged to resolve the double-lien issue—a plan, that unbeknownst to Mr. Beauchamp, Mr. Chittick was already well on his way to implementing. Accordingly, Mr. Beauchamp suggested that Mr. Chittick and Menaged document their plan. Nothing more came of the issue with Menaged until January. Mr. Beauchamp's actions in this regard were appropriate and met the standard of care.

52. All timesheets or invoices produced by Plaintiff, including timesheets and invoices reflecting Plaintiffs' experts (RECEIVER_005546-5627), Peter Davis', and Ryan Anderson's work.

53. All documents placed in the Receiver's Depository.

54. All documents posted to the Receiver's website at https://denscoreceiver1.godaddysites.com/home.html

55. All documents filed or to be filed in any proceeding brought by the Receiver, and all documents produced in any such proceeding.

56. All correspondence between counsel in the above captioned proceeding, including the communications produced herewith.

57. All documents recorded with the Maricopa County Recorder's office regarding DenSco and other lender liens on properties purchased by Menaged or his entities, including documents produced herewith.

Defendants reserves the right to supplement the list of documents that may be relevant as information becomes available.

X. INSURANCE AGREEMENTS.

Defendants produced the insurance policies in effect during the relevant time period and the November 10, 2017 correspondence from Mendes & Mount, LLP, all of which are stamped "Confidential Materials."

DATED this 13th day of September, 2019.

COPPERSMITH BROCKELMAN PLC

By: _____
John E. DeWulf
Marvin C. Ruth
Vidula U. Patki
2800 North Central Avenue, Suite 1900
Phoenix, Arizona 85004
Attorneys for Defendants

52. All timesheets or invoices produced by Plaintiff, including timesheets and invoices reflecting Plaintiffs' experts (RECEIVER_005546-5627), Peter Davis', and Ryan Anderson's work.

53. All documents placed in the Receiver's Depository.

54. All documents posted to the Receiver's website at https://denscoreceiver1.godaddysites.com/home.html

55. All documents filed or to be filed in any proceeding brought by the Receiver, and all documents produced in any such proceeding.

56. All correspondence between counsel in the above captioned proceeding, including the communications produced herewith.

57. All documents recorded with the Maricopa County Recorder's office regarding DenSco and other lender liens on properties purchased by Menaged or his entities, including documents produced herewith.

Defendants reserves the right to supplement the list of documents that may be relevant as information becomes available.

X. INSURANCE AGREEMENTS.

Defendants produced the insurance policies in effect during the relevant time period and the November 10, 2017 correspondence from Mendes & Mount, LLP, all of which are stamped "Confidential Materials."

DATED this 13th day of September, 2019.

COPPERSMITH BROCKELMAN PLC

By: _____
John E. DeWulf
Marvin C. Ruth
Vidula U. Patki
2800 North Central Avenue, Suite 1900
Phoenix, Arizona 85004
Attorneys for Defendants

Exhibit 6

DenSco / Offering

David G. Beauchamp

From: David G. Beauchamp
Sent: Friday, June 15, 2007 1:39 PM
To: Carney, Richard P.
Cc: Denny Chittick
Subject: RE: New DenSco Offering

Rich:

Good to hear from you. I hope that you are not still working the long days with long hours.

With respect to DenSco's update to its POM, the terms of the offering are the same, but we did increase the maximum offering amount due to the on-going roll-over of the existing investors every 6 months or so. The intent was merely to do an update to the disclosure so that it stays current like we did a couple of years ago. Since DenSco has regular sales of roll-over investments, there have probably been sales within the last six months. Although I have not confirmed with Denny, there have probably also been some sales since June 1, due to the regular roll-over of investors. Accordingly, I agree that an amendment to the offering is probably the correct approach, because it is probably an integrated offering and that will keep it as simple as possible.

Please let me know what you would like me to do and what you will be able to do to assist DenSco in this matter.

Thanks again, David

David G. Beauchamp, Esq.
Gammage & Burnham, PLLC
Two North Central Ave., 18th Floor
Phoenix, Arizona 85004-4470
Telephone: 602/256-4413
Fax: 602/256-4475
dbeauchamp@gblaw.com

From: Carney, Richard P. [mailto:RPC@quarles.com]
Sent: Friday, June 15, 2007 1:15 PM
To: David G. Beauchamp
Subject: RE: New DenSco Offering

Dave:

Good to hear from you.

If the POM is just being updated, perhaps we can treat it as an amendment to Form D. Did the offering amount change or terms of offering? Were sales made recently in the current offering? If so, perhaps we can just file an amendment unless you think there have been material changes. If we file as a new offering and sales occurred less than 6 month's ago, we will probably have to consider the offerings integrated.

Rich

Richard P. Carney
[x]
Legal Specialist and Manager, Broker-Dealer
and Investment Adviser Services
Quarles & Brady LLP
33 East Main Street
Suite 900
Madison, Wisconsin 53703

Direct Dial: (608) 283-2457
Direct Fax: (608) 294-4934
E-mail: rpc@quarles.com

From: David G. Beauchamp [mailto:dbeauchamp@gblaw.com]
Sent: Friday, June 15, 2007 2:43 PM
To: Carney, Richard P.
Cc: Denny Chittick
Subject: New DenSco Offering

Rich:

I hope this email finds you in good health and busy but not too busy to enjoy life.

As of June 1, 2007, we updated DenSco's POM, subscription documents and investor questionnaires, as well as its loan documents to be used with its borrowers. This update was part of our preparation of a new POM for DenSco, because the last one was two years old and needed to be updated with the more recent prior experience information.

As part of this updated offering, I thought that DenSco should file a new Form D with the SEC, AZ and other applicable states, but Denny wanted me to check with you so that you could coordinate these filings for DenSco.

Please let me know your thoughts concerning the best procedure to ensure compliance for DenSco in connection with this matter.

Take care and thanks again, David

David G. Beauchamp, Esq.
Gammage & Burnham, PLLC
Two North Central Ave., 18th Floor
Phoenix, Arizona 85004-4470
Telephone: 602/256-4413
Fax: 602/256-4475
dbeauchamp@gblaw.com

Exhibit 7

From: Denny Chittick
Sent: Sun 3/17/2013 7:26 AM (GMT-00:00)
To: Beauchamp, David
Cc:
Bcc:
Subject: thx for coming

i know it was a quick stop in a busy day and probably out of your way. we'll get together in april and start on our project again!
thx
dc

DenSco Investment Corp
www.denscoinvestment.com/
602-469-3001
602-532-7737 f

Exhibit 8

BRYAN CAVE

Bryan Cave LLP Atlanta | Boulder | Charlotte | Chicago | Colorado Springs | Dallas | Denver | Frankfurt | Hamburg | Hong Kong | Irvine
Jefferson City | Kansas City | Los Angeles | New York | Paris | Phoenix | San Francisco | Shanghai | Singapore | St. Louis | Washington, D.C.

EMPLOYER IDENTIFICATION NUMBER: 43-0602162

DenSco Investment Corporation
ATTN: Denny J. Chittick
6132 West Victoria Place
Chandler, AZ 85226

July 23, 2013
Invoice # 10227984
Client # C068584

Payment is due upon Receipt

STATEMENT OF ACCOUNT

BALANCE FORWARD:			
Balance per Statement Dated June 17, 2013	$	2,989.00	
Payments and Other Credits		(2,989.00)	
BALANCE FORWARD			$ 0.00
CURRENT CHARGES FOR MATTER:			
File #0352992			
2013 Private Offering Memorandum			
Subtotal Fees for Legal Services	$	17,880.50	
10% DISCOUNT BY ATTORNEY		(1,788.05)	
Total Fees for Legal Services		16,092.45	
TOTAL CHARGES THIS INVOICE			$ 16,092.45
STATEMENT TOTAL			$ 16,092.45

PAYMENT INSTRUCTIONS

Check Payment Instructions:
Bryan Cave LLP
P.O. Box 503089
St. Louis, MO 63150-3089

Please return Remittance Advice with payment in the enclosed envelope.

ACH Payment Instructions:
ACH to: Bank of America
One Bank of America Plaza
St. Louis, MO 63101
Routing #081000032
Account # 100101007976

Wire Instructions:
Wire to: Bank of America
One Bank of America Plaza
St. Louis, MO 63101
ABA #0260-0959-3
Account # 100101007976
Swift Codes:
BOFAUS3N (incoming US wires)
BOFAUS6S (incoming Non-US wires)

Please include the Client, Matter, or Invoice Number with all payments.

For Legal Services Rendered Through June 30, 2013

File #0352992
2013 Private Offering Memorandum

06/07/13	D. G. Beauchamp	0.90 hrs.	441.00	Work on outline of questions to be analyzed for offering; work on information.
06/10/13	D. G. Beauchamp	2.30 hrs.	1,127.00	Review and respond to several emails concerning potential regulations affecting the offering; text messages to D. Chittick with questions; outline questions for research.
06/11/13	R. E. Pedersen	0.40 hrs.	316.00	Begin review of Trust Indenture Act jurisdiction issue.
06/11/13	D. G. Beauchamp	1.60 hrs.	784.00	Review and respond to several emails and information concerning number of investors, information on website, investment requirements and issues; review information from D. Chittick.
06/12/13	R. E. Pedersen	0.50 hrs.	395.00	Continue review of Trust Indenture Act jurisdiction issue.
06/12/13	D. G. Beauchamp	1.40 hrs.	686.00	Work on information from D. Chittick and forward information for the analysis of the additional requirements; review regulations and outline questions.
06/13/13	D. G. Beauchamp	0.90 hrs.	441.00	Outline facts, questions and information to verify compliance issues for Fund investors.
06/14/13	R. E. Pedersen	0.50 hrs.	395.00	Continue review of Trust Indenture Act jurisdiction issue.
06/14/13	D. G. Beauchamp	0.50 hrs.	245.00	Email to D. Chittick regarding need to disclose pending litigation in Private Offering

				Memorandum; review email from D. Chittick; review requirements.
06/14/13	D. G. Beauchamp	1.40 hrs.	686.00	Review several emails and documents from D. Chittick regarding litigation; review court records and respond to D. Chittick.
06/16/13	R. E. Pedersen	1.50 hrs.	1,185.00	Continue review of Trust Indenture Act and Securities Act.
06/17/13	R. R. Wang	0.40 hrs.	282.00	Confer with R. Pedersen regarding securities matter; follow-up regarding same; telephone conference with D. Beauchamp regarding same.
06/17/13	R. E. Pedersen	1.50 hrs.	1,185.00	Prepare for telephone conference, and confer, with R. Wang re Trust Indenture Act jurisdiction. Email to D. Beauchamp.
06/17/13	D. G. Beauchamp	2.40 hrs.	1,176.00	Review and respond to several emails concerning Trust Indenture Act, Registered Advisor and Investment Company requirements; review research information; telephone conference with D. Chittick regarding requirements, website and procedure, work on notes and outline follow-up; telephone conference with R. Wang.
06/18/13	D. G. Beauchamp	1.90 hrs.	931.00	Work on issues concerning additional federal regulation due to amount of aggregate investor notes; review and respond to emails; telephone conference with M. Weakley regarding Investment Company requirements; work on issues.
06/19/13	D. G. Beauchamp	0.80 hrs.	392.00	Review and respond to emails, questions and analysis of additional requirements.

06/20/13	D. G. Beauchamp	2.90 hrs.	1,421.00	Work on information concerning additional regulatory requirements; prepare detailed email with background information and questions for analysis of Regulation D issues, investment company issues and general solicitation issues; review and respond to several emails concerning additional questions concerning requirements due to increase in amount of funds under control.
06/21/13	D. G. Beauchamp	0.80 hrs.	392.00	Work on issues for Registered Investment Advisor requirements and exemptions; provide additional background information for analysis of E. Sipes.
06/24/13	D. G. Beauchamp	1.90 hrs.	931.00	Work on information and issues concerning Investment Company Act compliance and regulations; review messages and emails from J. Sipes; submit information to J. Sipes; work on Regulation D requirements and general solicitation issues.
06/25/13	D. G. Beauchamp	3.10 hrs.	1,519.00	Review and respond to several emails; work on revisions to Private Offering Memorandum; telephone conference with E. Sipes regarding Investment Company Act requirements and Investment Advisor requirements; review information about website and Reg D limitations for total investors when Investment Company Act is applicable; review regulations concerning calculation of investors.
06/25/13	E. K. Sipes	1.30 hrs.	682.50	Review draft of 2013 offering memorandum in preparation for call with D. Beaucamp; telephone conference with D.

				Beaucamp to discuss scope of analysis under the Investment Company Act and federal investment adviser registration requirements; research factors related to investment company analysis.
06/26/13	D. G. Beauchamp	0.60	hrs.	294.00 Review emails, research notes and outline disclosure requirements for Private Offering Memorandum; prepare and send email with additional questions.
06/27/13	D. G. Beauchamp	2.10	hrs.	1,029.00 Review notes, emails and information for compliance; extended telephone conference with E. Sipes regarding Investment Company Act of 1940, exemption, website issues, compliance and procedure; telephone conference with D. Chittick regarding status of search; revisions to procedure and timing; review and respond to emails concerning revisions to website.
06/27/13	E. K. Sipes	1.80	hrs.	945.00 Research requirements related to investment company status; research registration requirements for investment advisers under Arizona laws; telephone call with D. Beauchamp regarding status of research.

Total Hours	33.40	
Subtotal Fees for Legal Services		$ 17,880.50
10% DISCOUNT BY ATTORNEY		$ (1,788.05)
Total Fees for Legal Services		$ 16,092.45

TOTAL CHARGES FOR THIS MATTER $ 16,092.45

Bryan Cave LLP Atlanta | Boulder | Charlotte | Chicago | Colorado Springs | Dallas | Denver | Frankfurt | Hamburg | Hong Kong | Irvine
Jefferson City | Kansas City | Los Angeles | New York | Paris | Phoenix | San Francisco | Shanghai | Singapore | St. Louis | Washington, D.C.

EMPLOYER IDENTIFICATION NUMBER: 43-0602162

DenSco Investment Corporation
ATTN: Denny J. Chittick
6132 West Victoria Place
Chandler, AZ 85226

July 23, 2013
Invoice# 10227984
Client# C068584
Matter# 0352992

REMITTANCE ADVICE

BALANCE FORWARD:

Balance per Statement Dated June 17, 2013	$	2,989.00	
Payments and Other Credits		(2,989.00)	
BALANCE FORWARD		$	0.00

CURRENT CHARGES

Subtotal Fees for Legal services	$	17,880.50	
10% DISCOUNT BY ATTORNEY		(1,788.05)	
Total Fees for Legal Services		16,092.45	
TOTAL CHARGES THIS INVOICE		$	16,092.45
STATEMENT TOTAL		$	16,092.45

PAYMENT INSTRUCTIONS

Check Payment Instructions:
Bryan Cave LLP
P.O. Box 503089
St. Louis, MO 63150-3089

Please return Remittance Advice with payment in the enclosed envelope.

ACH Payment Instructions:
ACH to: Bank of America
One Bank of America Plaza
St. Louis, MO 63101
Routing #081000032
Account # 100101007976

Wire Instructions:
Wire to: Bank of America
One Bank of America Plaza
St. Louis, MO 63101
ABA #0260-0959-3
Account # 100101007976
Swift Codes:
BOFAUS3N (incoming US wires)
BOFAUS6S (incoming Non-US wires)

Please include the Client, Matter, or Invoice Number with all payments.

Exhibit 9

BRYAN CAVE

Bryan Cave LLP Atlanta | Boulder | Charlotte | Chicago | Colorado Springs | Dallas | Denver | Frankfurt | Hamburg | Hong Kong | Irvine
Jefferson City | Kansas City | Los Angeles | New York | Paris | Phoenix | San Francisco | Shanghai | Singapore | St. Louis | Washington, D.C.

EMPLOYER IDENTIFICATION NUMBER: 43-0602162

DenSco Investment Corporation
ATTN: Denny J. Chittick
6132 West Victoria Place
Chandler, AZ 85226

August 14, 2013
Invoice # 10235895
Client # C068584

Payment is due upon Receipt

STATEMENT OF ACCOUNT

BALANCE FORWARD:			
Balance per Statement Dated July 23, 2013	$	16,092.45	
Payments and Other Credits		(16,092.45)	
BALANCE FORWARD		$	0.00
CURRENT CHARGES FOR MATTER:			
File #0352992			
2013 Private Offering Memorandum			
Subtotal Fees for Legal Services	$	4,770.50	
10% COURTESY DISCOUNT BY ATTORNEY		(477.05)	
Total Fees for Legal Services		4,293.45	
TOTAL CHARGES THIS INVOICE		$	4,293.45
STATEMENT TOTAL		$	4,293.45

PAYMENT INSTRUCTIONS

Check Payment Instructions:
Bryan Cave LLP
P.O. Box 503089
St. Louis, MO 63150-3089

Please return Remittance Advice with payment in the enclosed envelope.

ACH Payment Instructions:
ACH to: Bank of America
One Bank of America Plaza
St. Louis, MO 63101
Routing #081000032
Account # 100101007976

Wire Instructions:
Wire to: Bank of America
One Bank of America Plaza
St. Louis, MO 63101
ABA #0260-0959-3
Account # 100101007976
Swift Codes:
BOFAUS3N (incoming US wires)
BOFAUS6S (incoming Non-US wires)

Please include the Client, Matter, or Invoice Number with all payments.

For Legal Services Rendered Through July 31, 2013

File #0352992
2013 Private Offering Memorandum

07/01/13	E. K. Sipes	0.50 hrs.	262.50	Research definition of investment company; draft correspondence to D. Beauchamp regarding analysis of issuer's being deemed an investment company and accredited investor issues.
07/09/13	D. G. Beauchamp	0.80 hrs.	392.00	Review emails from E. Sipes concerning Investment Company Act and Investment Advisor restrictions and exemptions; verify exemptions.
07/10/13	D. G. Beauchamp	1.20 hrs.	588.00	Review emails and research information from R. Wang and E. Sipes concerning additional federal regulations for loans from investors; work on same.
07/12/13	D. G. Beauchamp	0.80 hrs.	392.00	Work on information, restrictions and offering materials; revise disclosure in Private Offering Memorandum.
07/15/13	D. G. Beauchamp	0.60 hrs.	294.00	Work on revisions to Private Offering Memorandum.
07/16/13	D. G. Beauchamp	1.40 hrs.	686.00	Review emails, notes and information concerning additional issues and restrictions for offering; outline information to add to Private Offering Memorandum.
07/17/13	D. G. Beauchamp	0.70 hrs.	343.00	Work on revisions to Private Offering Memorandum.
07/18/13	D. G. Beauchamp	0.40 hrs.	196.00	Work on disclosure information.
07/23/13	D. G. Beauchamp	0.50 hrs.	245.00	Work on and revise Private

				Offering Memorandum.
07/24/13	D. G. Beauchamp	0.60 hrs.	294.00	Work on issues for Private Offering Memorandum; outline questions for follow-up.
07/25/13	D. G. Beauchamp	1.10 hrs.	539.00	Work on revisions to Private Offering Memorandum; work on regulatory requirements.
07/29/13	D. G. Beauchamp	0.40 hrs.	196.00	Work on additional issues for Private Offering Memorandum.
07/31/13	D. G. Beauchamp	0.70 hrs.	343.00	Work on issues for Private Offering Memorandum and subscription documents.

Total Hours	9.70	
Subtotal Fees for Legal Services		$ 4,770.50
10% COURTESY DISCOUNT BY ATTORNEY		$ (477.05)
Total Fees for Legal Services		$ 4,293.45

TOTAL CHARGES FOR THIS MATTER $ 4,293.45

BRYAN CAVE

Bryan Cave LLP Atlanta | Boulder | Charlotte | Chicago | Colorado Springs | Dallas | Denver | Frankfurt | Hamburg | Hong Kong | Irvine
Jefferson City | Kansas City | Los Angeles | New York | Paris | Phoenix | San Francisco | Shanghai | Singapore | St. Louis | Washington, D.C.

EMPLOYER IDENTIFICATION NUMBER: 43-0602162

DenSco Investment Corporation
ATTN: Denny J. Chittick
6132 West Victoria Place
Chandler, AZ 85226

August 14, 2013
Invoice# 10235895
Client# C068584
Matter# 0352992

REMITTANCE ADVICE

BALANCE FORWARD:			
Balance per Statement Dated July 23, 2013	$	16,092.45	
Payments and Other Credits		(16,092.45)	
BALANCE FORWARD		$	0.00
CURRENT CHARGES			
Subtotal Fees for Legal services	$	4,770.50	
10% COURTESY DISCOUNT BY ATTORNEY		(477.05)	
Total Fees for Legal Services		4,293.45	
TOTAL CHARGES THIS INVOICE		$	4,293.45
STATEMENT TOTAL		$	4,293.45

PAYMENT INSTRUCTIONS

Check Payment Instructions:
Bryan Cave LLP
P.O. Box 503089
St. Louis, MO 63150-3089

Please return Remittance Advice with payment in the enclosed envelope.

ACH Payment Instructions:
ACH to: Bank of America
One Bank of America Plaza
St. Louis, MO 63101
Routing #081000032
Account # 100101007976

Wire Instructions:
Wire to: Bank of America
One Bank of America Plaza
St. Louis, MO 63101
ABA #0260-0959-3
Account # 100101007976
Swift Codes:
BOFAUS3N (incoming US wires)
BOFAUS6S (incoming Non-US wires)

Please include the Client, Matter, or Invoice Number with all payments.

Exhibit 10

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, vs. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, Husband and Wife, Defendants.	)	NO. CV2017-013832

VIDEOTAPED DEPOSITION OF DAVID GEORGE BEAUCHAMP

VOLUME I
(Pages 1 through 233)

Phoenix, Arizona
July 19, 2018
9:03 a.m.

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

PREPARED FOR:

that I was leaving the firm.

Q. Okay. So we have the original meeting, which is an annual review where someone mentions something about originations; four months later, more or less, you have a meeting where you are told it's not a fit; and now there is a third meeting after that.

Tell me about this third meeting where you said you are leaving.

A. I was told that Jay was going to be out of the office for some family stuff, and I told him that I had an offer and was considering it. I was going to probably take it. I didn't know the specific detail on the date and when, but, yes, I would be leaving. Because he asked me to keep him informed if I received an offer and if I looked like I was going to take it.

Q. All right.

A. So I -- as a courtesy, I did it, knowing he was going to be out of town for a week to ten days.

Q. Who did you get an office from?

A. Clark Hill.

Q. Fair to say you were asked to leave the firm?

A. I believe "it's not a fit" would equate to that, but I was dumbfounded the way it was delivered and said to me, because there had been no prior discussions, but it's, you know, when a firm makes that decision, you just

Q. Okay. What -- well, I understand --

A. From the time that I accepted the offer to the time that I moved over, it was at least two weeks.

Q. Okay. So once you had a final offer you were happy with, you were over there within two weeks?

A. Right.

Q. And then how long did you negotiate over this offer with Clark Hill, from the time you first talked to them till you reached something you were happy with?

A. That's hard to say, because the interview process at Clark Hill is you meet a lot of people in a lot of different offices, and there are both videoconferences and traveling involved. And parts of things were negotiated over a period of time.

If I had -- I don't even want to guess, because I -- at that time I was talking with other firms as well, and they kind of all -- several balls were moving forward at the same time.

Q. Okay. So I just want to know what's happening here in this twenty -- this is really 2013 when this is going on.

So from the time you were told, you know, this isn't a fit, I take it from that point in time you are looking for employment elsewhere?

A. No. My first priority was to my clients, as

it's ethically required, and -- and Bryan Cave understood and agreed with that.

Q. Fair enough.

But fair to say from the time you were told you were not a fit, you started looking for work elsewhere?

A. No. I think I took a couple weeks to get my mind around it and decide if I wanted to go into a firm or if I wanted to relocate and take a job with a private equity group that had approached me six months earlier.

Q. Okay.

A. And so I had to make that decision first, and I focused on client matters. And then the phone started ringing, which was about the same time people from Bryan Cave were coming in to talk to me, and it was like, okay, the word's out.

Q. All right. I'm just trying to get some time parameters here. Okay?

From the time you make a decision I got to find a job somewhere else to the time you accept employment on the deal you negotiated with Clark Hill, what time period are we talking about?

A. I don't remember when I first talked to Clark Hill so I really can't answer that, but you are talking I believe the end of June to -- to mid-August, and it was the time period where I explored different options and

that I continuously requested that he get on his loans, I'm sorry, the loans to his borrowers.

He also did not, which I found just toward the end of my time at Bryan Cave, did not follow the instructions with respect to providing the dollars to either the trustee or the title company under an instruction letter, and instead in certain instances, I was informed he would send it to the borrower, who would get a cashier's check and deliver it to the trustee, which I was told was four or five times by Mr. Chittick, which has subsequently been shown to be many more times than he revealed to me.

At Clark Hill and at the time at Bryan Cave, he was not providing a lot of the information requested. He seemed thoroughly distracted, which is why he stopped the work on the memorandum in August of 2013. And while I was at Clark Hill, I -- at that time it was pulling teeth to get information out of him, which was very, very unusual.

And at the time I was giving him clear advice as far as what to do, he would not let me independently confirm that he was giving that advice, which I -- he said I've never lied to you, and on that basis, that was true, so we proceeded the priority was the Forbearance Agreement at that time.

And I thought I did the absolute best job

part, he did follow, or I -- through April/May 2014, I believed he was following the legal advice, but not necessarily the recommendations.

Q. Mr. Beauchamp, if I read your 26.1 statement correctly, you are blaming Mr. Chittick for what happened in this case. True?

MR. DeWULF: Object to form.

THE WITNESS: I thought I indicated that Mr. Menaged was the primary person and who exercised control over Mr. Chittick in ways I never understood.

Q. (BY MR. CAMPBELL) Sir, you state, do you not, you believe that Mr. Chittick instructed you not to finish the private offering memorandum in the year 2013, correct?

MR. DeWULF: Would you read that back, please.

(The requested portion of the record was read.)

THE WITNESS: I did state he instructed me, and that was based upon a conversation where he had to provide specific answers to information that we needed right then in order to finish the private offering memorandum. He said he did not have time, and I said then you are saying to put it on hold? And he said, yes, put it on hold.

Q. (BY MR. CAMPBELL) All right. And that was against your advice. True?

A. Yes, that -- my advice was to get it done, but we could not get it done without that information, and he

explained it was an impossibility to get that information together at that point.

Q. In your 26.1 statement you state that you told Mr. Chittick not to work with Mr. Menaged. He wasn't to be trusted. True?

A. True.

Q. He ignored your advice. True?

A. I believe that was more of a recommendation, because it wasn't legal advice with respect to that. It was a recommendation based upon how I had seen Mr. Menaged act with Mr. Chittick and how I had seen Mr. Chittick act with Mr. Menaged, that there was some type of mental control there. That's not the right term, but it was a deference that clearly worked to DenSco's disadvantage.

Q. All right. Turn to page 14 of your Rule 26.1 statement, line 3. You state under oath, "Nevertheless, Mr. Beauchamp at one point became concerned enough at Menaged's intransigence and the apparent influence he held over Mr. Chittick, that he reached out to third parties in late January 2014 to inquire about Menaged. Those third parties informed him that Menaged was generally someone to be distrusted and not someone to do business with. Mr. Beauchamp attempted to persuade Mr. Chittick of this during several heated conversations, but Mr. Chittick ignored these admonitions, explaining that while Menaged

according to what we know, right?

A. Correct.

Q. In the real world is there ever a time where a lawyer has to go out and see if there is more facts?

MR. DeWULF: Object to form.

THE WITNESS: It really would have to depend upon a lot of circumstances.

Q. (BY MR. CAMPBELL) All right. I think we were talking about times that Mr. Chittick ignored your advice. On your Rule 26.1 statement, again on page 14. Well, let me go about it this way.

You told Mr. Chittick again and again that he needed to immediately disclose to the investors what had happened with respect to Mr. Menaged, right?

A. I told Mr. Chittick that he was required to tell his investors what had happened with Menaged. I stated he could not take any money from any new client, he could not take any rollover money from an existing client, without giving them full disclosure.

I thought we had a reasonable period of time, and typically a Forbearance Agreement is something that's done in two, three weeks, to advise all of his existing investors, because these were long-term notes from his investors.

And -- and that was -- you know, the original

plan was to get the forbearance finalized, and that's what Mr. Chittick was insisting upon before we did the full written disclosure. But he had assured me he wasn't taking any new money or any rollover money, which was deemed new under the circumstances, from any investor without telling them exactly what was going on.

And a couple of times he asked for a clean version, not a redlined version, of, you know, can I send this to, you know, an investor so that they can see this description or what's going on and -- of the Forbearance Agreement so they know what's going on.

I do not know who he had intended to provide it to, but he did ask the question, and the only concern I had with that is that he had a confidentiality understanding with Menaged about sharing it with third parties, and I told him that, but I said you do need to provide, you know, the information and in terms of what is going on.

Q. Mr. Beauchamp, I am confused. Maybe you can clarify some things for me.

Are you telling me you were aware, while you were representing Mr. Chittick, that he was continuing to raise money from new investors and from rollover investors after January 9th, 2014?

A. I became aware of that during the process. I

11:27 a.m.)

VIDEOGRAPHER: My name is Mary Onuschak with the film of Legal Video Specialists, Phoenix, Arizona. This begins media two of the videotaped deposition of David G. Beauchamp. The time is 11:27 a.m. We are now back on the record.

Q. (BY MR. CAMPBELL) Mr. Beauchamp, if you will turn to Exhibit No. 4, that's your Rule 26.1 statement that you verified under oath, and I want you to turn to page 3, line 7.

Do you make the following statement under oath? "Although the various firms' engagement letters with DenSco only specifically identify DenSco as the client, DenSco could not operate or engage with legal counsel except through its president and sole owner, Mr. Chittick."

Did you write that?

A. I approved it.

Q. You verified it?

A. I don't remember who wrote it.

Q. Okay. I'm sorry. You verify it as true under oath, correct?

A. Correct.

Q. And you say, "DenSco had no other employees; Mr. Chittick was responsible for all aspects of DenSco's

business, and Mr. Chittick understood that Mr. Beauchamp, as an incident to Mr. Beauchamp's representation of DenSco, was also representing Mr. Chittick in his capacity as president of DenSco." True?

A. True.

Q. All right. You understand there is a big difference between communicating with Mr. Chittick as the president and owner of DenSco and representing him individually. True?

A. True.

Q. You never represented Mr. Chittick individually. True?

A. In connection with the licensing issues with the Arizona Department of Financial Institutions for a mortgage broker, because that pertained to his getting a license for DenSco, that would be the closest thing to any personal representation, but it was required for DenSco to go through the procedure, but it was for DenSco that I did the work. Because he was not licensed, and I simply had to provide evidence that he -- you know, he wasn't getting paid for it. He was an officer of the company and this is how the loans were done.

Q. Well, DenSco's position was the Arizona financial department institutions had no regulatory control over them.

A. According to what Wendy Coy said, they had received calls from investors. But in addition to that, I had contacted them for purposes of, you know, trying to deal with some of the issues pertaining to the company and trying to deal with compliance issues.

Q. And you see -- I want you to look at the first paragraph. And I want you to go down to the middle with the sentence that starts "However, I have not previously represented."

Are you with me?

A. Yes.

Q. And you say and write, quote, "However, I have not previously represented Denny Chittick and I do not have authority to accept the service of Subpoena on Mr. Chittick or his Estate."

Did you write that?

A. Yes.

Q. So just so we are absolutely clear, prior to August 10th, 2016, your position was you represented DenSco and you had never represented Mr. Chittick personally?

A. In connection with the matters that she was -- that she was asking about.

Q. Had you represented him personally on -- well, she is asking you about DenSco and its business, right?

A. No. She wanted --

Q. What's she asking you about?

A. She wanted all his personal tax records. I mean, the -- the subpoena was she wanted his personal tax records going back a number of years. She wanted an updated financial statement showing all of his holdings, his --

Q. All right.

A. I didn't have any of that information.

Q. But you told her you had not previously represented Dennis Chittick.

Did I read that wrong?

A. No. No, you are reading it correctly. And if -- I probably should have, knowing what I know now, stated not previously represented Denny Chittick, paren, outside of his role as president as DenSco.

Q. Okay. Well, I don't quite -- when you are dealing with a corporation, you have to deal with the president, right?

A. But you also deal with that person's responsibilities to the corporation.

Q. Right.

You are just dealing with Mr. Chittick because he is the president and owner of the corporation. Your client is the corporation. True?

fact an owner raising money for your -- for a client that it owns, your firm uses or it did use the exact same or very, very similar language that we have, that it's a potential conflict of interest.

That is accepted practice and was discussed at several CLE seminars I was attended -- I attended, and it discussed that it could be asserted later it was a conflict of interest, disclose it as a risk factor, because you are going through the individual for the company, and if somebody tries to bifurcate what you did with 20/20 hindsight, they could claim there was a conflict of interest.

Q. (BY MR. CAMPBELL) Mr. Beauchamp, we are on this path because I want to know who your client is.

A. I have --

Q. And I get more confused the more I hear you.

Did you ever represent Mr. Chittick personally, yes or no?

A. No, I did not.

Q. Did you ever consider there was a conflict of interest between Mr. Chittick and DenSco?

A. Only when he refused to do the disclosure that we provided to him in May 2014 to disclose the Forbearance Agreement to its investors.

Q. And that's when you terminated, right?

A. That is correct.

Q. But you were never Mr. Chittick's attorney. True?

A. That is correct.

Q. Well, then let's turn to Exhibit 295.

MR. DeWULF: Say it again? Two what?

MR. CAMPBELL: 295.

Q. (BY MR. CAMPBELL) So Exhibit 295, there is a couple pages here, these are -- these are all your handwritten notes, correct?

A. I don't see any handwritten notes at the beginning, and I don't think I have ever seen this document before.

Q. Wait a minute. Are you on 295?

A. Oh, I'm sorry. Now I am. Sorry.

Q. These are your handwriting, right?

I didn't think it was a hard question. Is this your handwriting?

A. Yes, this is. I'm reading it. Sorry.

Q. So --

A. But there is more than just one quick page, so...

Q. I didn't ask you to read it. Can you identify your handwriting?

A. And I am trying to look at multiple pages to do

Q. Did you review this affidavit in preparation for your deposition?

A. I reviewed it some time ago.

Q. When it says "I understood that Mr. Chittick considered that I was his counsel," you were saying that Mr. Chittick thought you were his individual counsel. True?

MR. DeWULF: Object to form.

THE WITNESS: As I previously indicated, I thought Mr. Chittick considered that I was his counsel in connection with my being -- representing DenSco.

Q. (BY MR. CAMPBELL) You took the rules of ethics in law school, didn't you?

A. A long time ago.

Q. When a client -- when someone comes you to and says I believe that you are my attorney and that's not true, what is your responsibility?

MR. DeWULF: Object to form.

THE WITNESS: Your responsibility is to correct the facts.

Q. (BY MR. CAMPBELL) Did you ever tell Mr. Chittick that he was wrong to consider you his counsel?

A. We did have a conversation several times that I'm his counsel in connection with being an officer and

director of DenSco, and DenSco is the client.

Q. How could you sign this affidavit that you knew he considered you were his counsel, if you corrected him, and not tell the Court?

MR. DeWULF: Object to form.

THE WITNESS: As I have tried to explain, I interpreted the wording here that Mr. Chittick considered that I was his counsel as well as counsel for DenSco was in connection with matters for DenSco.

Q. (BY MR. CAMPBELL) Sir, you go on in the next paragraph and say it's impossible for me, impossible to distinguish between what is an attorney/client communication with Mr. Chittick and what is an attorney/client communication with DenSco. You signed that under oath for the Court.

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) You don't say here that "I only represented him as the president of DenSco and I wasn't his individual attorney," do you?

A. This states, "or what attorney-client communications were solely corporate only and what was personal to Mr. Chittick as the President of DenSco."

Q. Have you ever run across a concept called fraud on the Court, Mr. Beauchamp?

MR. DeWULF: Object to form.

Q. Fair to say that Mr. Chittick did not want to disclose his problems to the investors?

MR. DeWULF: Object to form.

THE WITNESS: Do you want to restate the question?

Q. (BY MR. CAMPBELL) No.

Fair to say --

A. At what time?

Q. When you were dealing -- sir, you terminated your representation of Mr. Chittick and DenSco because he would not disclose to the investors the fraud that Mr. Menaged had committed on him. True?

MR. DeWULF: Object to form.

THE WITNESS: That -- that -- that is true.

Q. (BY MR. CAMPBELL) And from the very first time this problem arose, let's take your meeting of January 9th, 2014, January 9th, 2014, Mr. Chittick did not want to disclose this problem to his investors?

MR. DeWULF: Would you read that back, please.

(The requested portion of the record was read.)

MR. DeWULF: Object to form.

THE WITNESS: I'm not -- I'm not sure how to answer it without getting inside Denny's mind.

On January 9th, 2014, when I told him he had to disclose this before taking any new money, he balked at

it. I explained it again is a material issue, and he said okay. At -- I left that meeting that he understood his obligation and that he would do it for any new money brought in or any rollover money.

MR. CAMPBELL: Can you read me back his answer again.

(The requested portion of the record was read.)

Q. (BY MR. CAMPBELL) Again, you were aware after that meeting that he was going to take new monies and take new rollover monies, but somehow he was going to disclose it?

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) Do you want me to read your answer back to you?

A. No, I heard it read.

At the January 9th meeting, I explained to him that he is frozen right now. He needs to -- we need to get a handle on this and get it resolved. And he indicated that he had other obligations with other borrowers and he had some notes that were coming due and to roll over.

And I said you can't take that money, the rollover money without doing full disclosure. He goes what about if I borrow on my line of credit and deal with it? And I said are they looking to you or to the fund?

And he said to me. And I -- well, you can borrow, you know, on your own and reloan it to the fund because you do know the facts, but you can't take any, and that's the bottom line.

And based upon his previous experience with Insight and having been through this process many, many times, he understood his obligation.

Q. Okay. Just so I'm clear, to your knowledge, Mr. Chittick was not raising any money after your meeting with him; he froze raising any new money?

A. That -- that was my advice to him. And initially, January 9th, I didn't think he was going to be doing that, other than borrowing on his line of credit and reloaning it to the company or possibly borrowing personally from some of the other heavy-wheeled investors in reloaning the money to the company.

Q. You know today, Mr. Beauchamp, that he never stopped raising money. True?

MR. DeWULF: Object to form.

THE WITNESS: I have no personal knowledge, but it is such common knowledge from everybody in the Court, I accept that.

Q. (BY MR. CAMPBELL) All right. Did you ever read the receiver's report in this case?

A. A long, long time ago, yes.

A. I told Denny we would -- that we were in the process of revising the POM. We will get you the applicable sections dealing with what you have to disclose to your investors, describing the Forbearance Agreement, and the questions that we need to finish the POM. If we can't get the information necessary to finish the POM, then we have to do an amendment with regarding to the Forbearance Agreement.

"Well, no, I want to wait on that for a while," et cetera, et cetera, was his response. Again, I'm paraphrasing, please understand. It's been a while and it was a rather difficult conversation. And I said: We will give it to you, but we expect that we have to make sure that this is done and provided to your investors.

Q. Okay. But, Mr. Beauchamp, these breaches of fiduciary duty, these violations of the securities law are taking place every single day.

You understood that, right?

MR. DeWULF: Object to form.

THE WITNESS: I didn't understand it was every single day. He had so much money rolling in with payoffs of previous loans and things of that nature, I -- he told me it -- he was dealing with his line of credit to cover the shortfalls and everything: Oh, maybe a few times I have accepted rollovers, whatever.

THE WITNESS: As he indicated there, he wanted to have a solution to show them as opposed to just sounding an alarm, like: Oh, my God, this happened. That was his expression.

Q. (BY MR. CAMPBELL) All right.

A. The -- proceed.

Q. On January 9th when you learned that Mr. Menaged had defrauded DenSco, DenSco's duties were to inform the investors as soon as possible. True?

MR. DeWULF: Object to form.

THE WITNESS: DenSco had a twofold obligation.

The first was he could -- was not supposed to take any new investment in to the company or any rollover investment without doing up-to-date disclosure to those investors.

The second obligation, to the extent the investors were already locked into two-year notes that hadn't come up for renewal or anything yet, he needed to get the information to them as quickly as reasonably possible, I believe, is what -- is what I have read in that case.

Q. (BY MR. CAMPBELL) I want you to focus on fiduciary duty. Okay?

DenSco has a fiduciary duty to disclose material facts to its investor. True?

files cleaned up and transfer them since you are going to have other counsel to handle your securities work going forward." And I -- I did not write and send a letter.

Q. (BY MR. CAMPBELL) All right. Well, you only did not write and send a letter; you didn't even do a handwritten note in the file that you terminated. True?

A. Well, Daniel Schenck and I were the only ones doing work at the time, and we had discussed it and he understood that he was simply doing work on the, you know, cleanup of the forbearance, because we were done with this client.

Q. I wasn't asking you about Mr. Schenck.

You didn't create any written document whatsoever, a note to the file, a handwritten typed to your calendar page, there was not a single piece of writing in May of 2014 that I can look to that says: Oh, here is David saying he is terminating his representation.

A. I was coordinating the steps with Mark Sifferman, and -- and Denny had said: Don't bother, don't send me a letter. I'm looking for other counsel. So I didn't do it. I didn't do it.

Q. There is nothing in the file, in your file, Mr. Beauchamp, in May of 2019 (sic) that you talked to Mr. Sifferman or had any conversation with anyone in the firm about termination.

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, vs. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, Husband and Wife, Defendants.	)	NO. CV2017-013832

VIDEOTAPED DEPOSITION OF DAVID GEORGE BEAUCHAMP

VOLUME II
(Pages 234 through 493)

Phoenix, Arizona
July 20, 2018
9:02 a.m.

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

PREPARED FOR:

Rule 26.1 statement on pages 5, 6, and 7 discuss the FREO lawsuit, correct?

A. Yes.

Q. And everything you said with respect to the FREO lawsuit, you verified under oath not just once, but four times, correct?

MR. DeWULF: Object to form.

THE WITNESS: Let me reread pages 5, 6, and 7 to -- yeah. Yes, I did verify this under oath.

Q. (BY MR. CAMPBELL) All right. I want you to turn to the bottom of page 6. And you will see on line 22 you verify under oath that, "Mr. Beauchamp did, however, explain to Mr. Chittick that this lawsuit would need to be disclosed in DenSco's 2013 POM."

Do you see that?

A. Yes.

Q. And then you say, "In addition, Mr. Beauchamp advised Mr. Chittick, as he had done previously, that Mr. Chittick needed to fund DenSco's loans directly to the trustee or escrow company conducting the sale, rather than provide loan funds directly to the borrower, to ensure that DenSco's deed of trust was protected."

Do you see that?

A. Yes.

Q. So at the time you told Mr. Chittick that this

lawsuit would need to be disclosed, which was in June 14th of 2013, you also told him not to give the money directly to Menaged, but to give it to the trustee, correct?

A. Correct.

Q. And the only reason you would have done that is because the Complaint told you that there was a piece of property double funded, one to Active Funding, one to DenSco, and you must have talked with Mr. Chittick how that happened, and he told you that he wired the money to Menaged.

Is that what happened, Mr. Beauchamp?

MR. DeWULF: Object to form.

THE WITNESS: I -- that's a -- I don't recall that, that specific conversation.

Q. (BY MR. CAMPBELL) Is there -- why would you even talk to him about how he is funding his loans, if it's an immaterial lawsuit that you haven't looked at at all? Why would you talk to him about how he funds his loans?

A. It -- it probably -- if it did, it probably came up in the conversation and he explained how it happened in things like he explains the details in the background, which gets...

Q. (BY MR. CAMPBELL) All right. But you have said

Cave attorneys, right?

A. Correct.

Q. Let's turn to Exhibit 133. Exhibit 133 are the Bryan Cave time records for July 2013.

Do you see that?

A. Yes.

Q. And it looks like, starting on -- you will see on July 10th is the last time you communicate with Mr. Wang and Ms. Sipes?

MR. CAMPBELL: Object to form.

Q. (BY MR. CAMPBELL) July 10, 2013.

A. That's the last time that it's recorded here, yes.

Q. And then from July 12th, 2013, until July 31, you have a number of time entries indicating that you are working on the private offering memorandum. Fair?

A. That is the description.

Q. Now, the only written work we have on the private offering memorandum is that July 2013 POM we previously did.

Do you recall if you did any other written work with respect to the POM?

MR. DeWULF: Object to form.

THE WITNESS: Yes, I did. There were a number of situations where I reviewed the file and the previous

file with respect to status of disclosure items, background information.

I also was trying to relate the facts and circumstances to the other litigation matters. And also at this time, we did -- I did get on his website and confirm that the changes had been made and he had in fact taken it down.

Q. (BY MR. CAMPBELL) Are there other drafts, I mean, are there a series of drafts in July on the private offering memorandum?

A. That's not -- typically what I do is work on the background to a particular section before it gets incorporated to the draft to the client.

Q. All right. As I look at your time entries from July 12th, 2013, to July 31, 2013, I don't see anything reflecting a telephone call with Mr. Chittick.

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) Do you see any billing entries reflecting a telephone call to Mr. Chittick between July 12th and July 31, 2013?

A. I do not see an entry.

Q. When did you leave Bryan Cave?

A. It was the last business day in August.

Q. All right. And then so you started work at Clark Hill the next day in September?

A. I believe Monday was Labor Day, and I traveled to Detroit that day for orientation and computer training.

Q. All right. If you turn to Exhibit No. 139, 139 is the Bryan Cave invoice for your time in August at Bryan Cave, correct?

A. Yes.

Q. Now, I don't know. Would you have reviewed this? It's dated in September.

A. No.

Q. All right. You will see the only time entry you have in August is for .4 tenths of an hour, reviewing and responding to emails concerning Reg D.

Do you see that?

A. Yes.

Q. You don't show any telephone call with Mr. Chittick with respect to that August billing statement, right?

A. No, not on -- on that bill, no. That is -- I thought I saw notes of another conversation in there, though.

Q. When did Mr. Chittick tell you to stop work?

A. It was early in August. I don't remember the specifics. It was clearly before I announced any decision.

Q. Well, it must have been after August 6, 2013,

Q. And then what do you read after that?

A. "Need to discuss timing & update." Later that day he called me back and --

Q. Hold on. Let's stay on that one.

I didn't see anything in that August 26 message you left him that he had instructed you to stop work.

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) You are -- you are leaving him a message to get information from him, right?

A. To get it to the file, because he said it was done, and he never sent it to me after saying it was done.

Q. All right. And then you had a telephone call with him later that day?

A. Yeah. And he --

Q. And you write, in your handwriting: Explained delay with POM.

Did you write that?

A. Yes, I did. And that was -- that was a reference, again, to his -- I believe it was a reference, again, to his decision to put it on hold for the time being, because he wasn't able to focus on it and get us the information.

Q. You weren't explaining your delay on the POM, Mr. Beauchamp?

A. No.

hasn't had this issue before, so he had separated the two.

Q. Again, I'm going to instruct you, I'm going to ask you a yes-or-no answer. If you can answer it yes or no, fine. If you can't, just tell me you can't. Okay?

When you had this telephone call from Mr. Chittick in December 2013, did you remember that you had told Mr. Chittick the previous summer that the litigation had to be disclosed in a private offering memorandum?

MR. DeWULF: Object to form.

THE WITNESS: I'm -- I'm pretty sure I did, yes.

Q. (BY MR. CAMPBELL) When you had this conversation with Mr. Chittick in December 2013, did you also recall that the previous summer you had told Mr. Chittick: Do not give money directly to Easy Investments, give it to the trustee?

MR. DeWULF: Object to form.

THE WITNESS: Yes, I -- I do recall reminding him of that.

Q. (BY MR. CAMPBELL) So when you had this conversation in December 2013, you remembered that, gee, this was an issue I dealt with in the summer and here it is back again in December. True?

MR. DeWULF: Object to form.

THE WITNESS: I am not sure that in the brief

to any email, between January 1, 2014, and the time you terminated your representation of DenSco, where you advised Mr. Chittick by email not to fund the loan by giving, wiring money to Menaged, but hand deliver a check to the trustee, correct?

MR. DeWULF: Object to form.

THE WITNESS: I'm not familiar with every email that went out, so I cannot say yes or no that there is -- so you are right, I cannot point to an email off the top of my head.

Q. (BY MR. CAMPBELL) In the preparation for your deposition today and in reviewing documents for your deposition, did you see a single email that you can recall from January 1, 2014, until the time you terminated, where you sent an email saying "Don't wire the money to the borrower. Hand deliver it to the trustee"?

MR. DeWULF: Object to form.

THE WITNESS: I -- I don't recall an email, but we had numerous conversations on that point.

Q. (BY MR. CAMPBELL) I want you to put that book back up and bring down Volume 2.

MR. DeWULF: Volume 2?

MR. CAMPBELL: Volume 2, Exhibit 61.

Q. (BY MR. CAMPBELL) All right. Are you on Exhibit 61?

A. Yes.

Q. So Exhibit 61 is some sort of appointment calendar.

Is this -- do you have within Clark Hill an appointment calendar where you can post meetings?

A. There -- I have never seen this format, but, yes, there is a way to do that.

Q. All right. So you say this looks -- this is Mr. Anderson. It's on January 29th, 2014. The subject is David B, rev, which I assume is reviewed DenSco loan documents and procedures re closing and 1st lien position, title company.

I was just going to ask, do you have any recollection of meeting with Mr. Anderson at any time to talk about DenSco loan document and procedures re closing and 1st lien position?

A. I don't have a recollection of a meeting, but I have recollection of talking to him.

Q. Okay. Give me a recollection of what your discussion was with Mr. Anderson regarding DenSco loan docs and procedures re closing and 1st lien position, title co.

A. He had reviewed Bob Miller's letter, and I indicated that the client was not accepting my advice as to what he -- how he had to do, and he asked for an

independent view. That's why I got you involved with no background information. And we need to, you know, confirm to the client what is the procedure. And he said: Well, he has got to go through the trustee or the title company. I said: Then you need to tell him that.

Q. All right. So you told Mr. Anderson that he had to tell Mr. Chittick that the proper procedure was to give the money to the trustee, not to wire it to the borrower?

A. Denny wanted independent confirmation. He didn't want it from me. And the best way to deal with that was to either have -- you know, to have Bob deal with Denny directly so Denny wouldn't accuse me of filtering it.

Q. I understand, but I'm just trying -- you know, when we have multiple --

A. I understand.

Q. When you have multiple team members on a case, different people have different responsibilities. And I hear you saying that it was Mr. Anderson's responsibility to get back to Mr. Chittick and let him know that he is independently confirming that he is not to send the money to the borrower, he is to bring the check to the trustee?

MR. DeWULF: Object to form.

THE WITNESS: It -- it was either that he needed to coordinate with Daniel to get back to him, but I had to

be out of the loop. This needs to be a way, outside my hands.

Q. (BY MR. CAMPBELL) All right. I understand, but Mr. Chittick had asked for advice from Clark Hill about this procedure of funding?

A. Correct.

Q. Clark Hill said "We will give you advice," correct?

A. Well, I had provided advice and he wanted a second opinion, yeah.

Q. And Clark Hill said "We will give you a second opinion," right?

A. Correct.

Q. And the person that was going to give Mr. Chittick a second opinion was going to be Mr. Anderson?

MR. DeWULF: Object to form.

THE WITNESS: It was going to be some combination of Mr. Anderson and Mr. Schenck.

Q. (BY MR. CAMPBELL) All right. So either Mr. Anderson or Mr. Schenck was going to give the advice back to Mr. Chittick, am I correct, but you are out of the loop?

A. On this issue, yes.

Q. All right. In preparation for your deposition,

MR. DeWULF: Object to form.

THE WITNESS: It references the escrow letter, the title company in terms of that, and how he closed other loans for other clients for me. He always used the escrow letter to convey with the money going, you are receiving on behalf of the lender. That is how Bob Anderson operated.

What was the balance of the question? I'm sorry.

Q. (BY MR. CAMPBELL) Mr. Anderson in his deposition said that this document had nothing to do with how you fund the loan.

Are you disagreeing with that?

MR. DeWULF: Object to the form.

THE WITNESS: If -- if he provided this, this could have been a separate request from the client.

Q. (BY MR. CAMPBELL) Do you have any recollection whether you did anything to confirm that either Mr. Anderson or Mr. Schenck actually gave legal advice to Mr. Chittick about how to fund the loan?

A. I -- I did talk with Denny, and he said -- he didn't indicate where it came from, but: I understand the objections to the procedure to funding and I'm going to modify my procedures.

So at that point I thought he had gotten the

BE IT KNOWN that the foregoing proceeding was taken before me; that the witness before testifying was duly sworn by me to testify to the whole truth; that the questions propounded to the witness and the answers of the witness thereto were taken down by me in shorthand and thereafter reduced to typewriting under my direction; that the foregoing is a true and correct transcript of all proceedings had upon the taking of said deposition, all done to the best of my skill and ability.

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

[X] Review and signature was requested.
[ ] Review and signature was waived.
[ ] Review and signature was not requested.

I CERTIFY that I have complied with the ethical obligations in ACJA Sections 7-206(F)(3) and 7-206-(J)(1)(g)(1) and (2).

Kelly Sue Oglesby _____ 8/2/2018
Kelly Sue Oglesby Date
Arizona Certified Reporter No. 50178

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

_____ 8/2/2018
JD REPORTING, INC. Date
Arizona Registered Reporting Firm R1012

Exhibit 11

BRYAN CAVE

Bryan Cave LLP Atlanta | Boulder | Charlotte | Chicago | Colorado Springs | Dallas | Denver | Frankfurt | Hamburg | Hong Kong | Irvine
Jefferson City | Kansas City | Los Angeles | New York | Paris | Phoenix | San Francisco | Shanghai | Singapore | St. Louis | Washington, D.C.

EMPLOYER IDENTIFICATION NUMBER: 43-0602162

DenSco Investment Corporation
ATTN: Denny J. Chittick
6132 West Victoria Place
Chandler, AZ 85226

September 24, 2013
Invoice # 10249588
Client # C068584

Payment is due upon Receipt

STATEMENT OF ACCOUNT

BALANCE FORWARD:			
Balance per Statement Dated August 14, 2013	$	4,293.45	
Payments and Other Credits		(4,293.45)	
BALANCE FORWARD			$ 0.00
CURRENT CHARGES FOR MATTER:			
File #0352992 2013 Private Offering Memorandum			
Fees for Legal Services	$	196.00	
TOTAL CHARGES THIS INVOICE			$ 196.00
STATEMENT TOTAL			$ 196.00

PAYMENT INSTRUCTIONS

Check Payment Instructions:
Bryan Cave LLP
P.O. Box 503089
St. Louis, MO 63150-3089

Please return Remittance Advice with payment in the enclosed envelope.

ACH Payment Instructions:
ACH to: Bank of America
One Bank of America Plaza
St. Louis, MO 63101
Routing #081000032
Account # 000101007976

Wire Instructions:
Wire to: Bank of America
One Bank of America Plaza
St. Louis, MO 63101
ABA #0260-0959-3
Account # 000101007976
Swift Codes:
BOFAUS3N (incoming US wires)
BOFAUS6S (incoming Non-US wires)

Please include the Client, Matter, or Invoice Number with all payments.

For Legal Services Rendered Through August 31, 2013

File #0352992
2013 Private Offering Memorandum

08/06/13	D. G. Beauchamp	0.40 hrs.	196.00	Review and respond to emails concerning revision to Regulation D and revisions to subscription documents and procedure.

Total Hours 0.40

Total Fees for Legal Services $ 196.00

TOTAL CHARGES FOR THIS MATTER $ 196.00

BRYAN CAVE

Bryan Cave LLP Atlanta | Boulder | Charlotte | Chicago | Colorado Springs | Dallas | Denver | Frankfurt | Hamburg | Hong Kong | Irvine Jefferson City | Kansas City | Los Angeles | New York | Paris | Phoenix | San Francisco | Shanghai | Singapore | St. Louis | Washington, D.C.

EMPLOYER IDENTIFICATION NUMBER: 43-0602162

DenSco Investment Corporation
ATTN: Denny J. Chittick
6132 West Victoria Place
Chandler, AZ 85226

September 24, 2013
Invoice# 10249588
Client# C068584
Matter# 0352992

REMITTANCE ADVICE

BALANCE FORWARD:			
Balance per Statement Dated August 14, 2013	$	4,293.45	
Payments and Other Credits		(4,293.45)	
BALANCE FORWARD		$	0.00
CURRENT CHARGES			
Fees for Legal Services	$	196.00	
TOTAL CHARGES THIS INVOICE		$	196.00
STATEMENT TOTAL		$	196.00

PAYMENT INSTRUCTIONS

Check Payment Instructions:
Bryan Cave LLP
P.O. Box 503089
St. Louis, MO 63150-3089

Please return Remittance Advice with payment in the enclosed envelope.

ACH Payment Instructions:
ACH to: Bank of America
One Bank of America Plaza
St. Louis, MO 63101
Routing #081000032
Account # 100101007976

Wire Instructions:
Wire to: Bank of America
One Bank of America Plaza
St. Louis, MO 63101
ABA #0260-0959-3
Account # 100101007976
Swift Codes:
BOFAUS3N (incoming US wires)
BOFAUS6S (incoming Non-US wires)

Please include the Client, Matter, or Invoice Number with all payments.

Exhibit 12

DenSco / Ca

Beauchamp, David

From: Denny Chittick [dcmoney@yahoo.com]
Sent: Friday, June 14, 2013 12:08 PM
To: Beauchamp, David
Cc: Yomtov Menaged
Subject: Fw: Attorney
Attachments: Easy Investments Lawsuit.pdf

David:
I have a borrower, to which i've done a ton of business with, million in loans and hundreds of loans for several years, he's getting sued along with me.

He bought a property at auction, was issued a trustee's deed, i put a loan on it. Evidently the trustee had already sold it before the auction and received money on it FREO Arizona, LLC.

Easy Investments, has his attorney working on it, i'm ok to piggy back with his attorney to fight it, Easy Investments willing to pay the legal fees to fight it. I just wanted you to be aware of it, and talk to his attorney. contact info is below.

thx
dc

DenSco Investment Corp
www.denscoinvestment.com/
602-469-3001
602-532-7737 f

----- Forwarded Message -----
From: Scott Menaged <smena98754@aol.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Friday, June 14, 2013 11:53 AM
Subject: Attorney

Denny,

Here is my attorneys info. If your attorney needs anything, just let me know!
Thanks

Jeffrey J. Goulder | Partner | Stinson Morrison Hecker LLP
1850 N. Central Avenue, Suite 2100 |Phoenix, AZ 85004-4584
T: 602.212.8531 | F: 602.586.5217 | M:602.999.4350
jgoulder@stinson.com | www.stinson.com

6/14/2013

COMMISSIONERS
BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

JODI JERICH
Executive Director

PATRICIA L. BARFIELD
Director
Corporations Division

ARIZONA CORPORATION COMMISSION

Date JUNE 4, 2013

DENSCO INVESTMENT CORPORATION
6132 W VICTORIA PL
CHANDLER, AZ 85226

Dear Sir or Madam:

Enclosed is a copy of the following document(s) that were served upon the Arizona Corporation Commission on 06/04/2013 as agent for DENSCO INVESTMENT CORPORATION:

Case caption: FREO ARIZONA, LLC v. DENSCO INVESTMENT CORPORATION,
Case number: CV2013-007663 Court: MARICOPA COUNTY, SUPERIOR COURT

- ☒ Summons
- ☒ Complaint
- ☐ Subpoena
- ☐ Subpoena Duces Tecum
- ☐ Default Judgment
- ☐ Judgment
- ☐ Writ of Garnishment
- ☐ Motion For Summary Judgment
- ☐ Motion for
- ☐ Other

Sincerely,

Lynda B. Griffin
Custodian of Records

Initials DAB
File number -0987488-4

Rec08.doc
Rev 10/09

1300 WEST WASHINGTON, PHOENIX, ARIZONA 85007-2929
[illegible] - 602-542-3026

DIC0000056

ARIZONA CORPORATION COMMISSION

CERTIFICATION OF SERVICE ACCEPTED AND OF MAILING

Date: **JUNE 4, 2013**

I, **DONYELL BOLDEN** am an employee of the Arizona Corporation Commission ("ACC").

I hereby certify that on the **4TH** day of **JUNE, 2013,** I accepted on behalf of the ACC service of the following documents upon the ACC as agent for **DENSCO INVESTMENT CORPORATION.**

Case caption: **FREO ARIZONA, LLC** **V. DENSCO INVESTMENT CORPORATION,**

Case number: **CV2013-007663**

Court: **MARICOPA COUNTY, SUPERIOR COURT**

☒	Summons	☐	Default Judgment
☒	Complaint	☐	Judgment
☐	Subpoena	☐	Writ of Garnishment
☐	Subpoena Duces Tecum		
☐	Motion for Summary Judgment		
☐	Motion for		
☐	Other		

I declare and certify under penalty of perjury that the foregoing is true and correct.

Executed on this date: **JUNE 4, 2013**

(Signature) _____

DIC0000057

COMMISSIONERS
BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

ARIZONA CORPORATION COMMISSION

JODI JERICH
Executive Director

PATRICIA L. BARFIELD
Director
Corporations Division

I, **DONYELL BOLDEN**, am an employee of the Arizona Corporation Commission ("ACC").

I hereby certify that on the 4TH day of **JUNE, 2013**, I placed a copy of the above listed documents in the United States Mail, postage prepaid, addressed to

DENSCO INVESTMENT CORPORATION

at its last known place of business as follows:

6132 W VICTORIA PL
CHANDLER, AZ 85226

OR

I hereby certify that I was unable to mail the above listed documents to

because that entity is not a registered corporation or limited liability company in the State of Arizona, and the Arizona Corporation Commission has no record of its known place of business.

I declare and certify under penalty of perjury that the foregoing is true and correct.

Executed on this date: **JUNE 4, 2013**

(Signature)

Richard L. Cobb, SBN 011427
cobb@lakeandcobb.com
Joseph J. Glenn, SBN 023228
jjglenn@lakeandcobb.com
LAKE & COBB, P.L.C.
1095 W. Rio Salado Pkwy., Suite 206
Tempe, Arizona 85281
(602) 523-3000 office
(602) 523-3001 fax
Attorneys for Freo Arizona, LLC

IN THE SUPERIOR COURT FOR THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

FREO ARIZONA, LLC, a Delaware limited liability company, Plaintiff, v. EASY INVESTMENTS, LLC, an Arizona limited liability company; ACTIVE FUNDING GROUP, LLC, an Arizona limited liability company; DENSCO INVESTMENT CORPORATION, an Arizona corporation; TIMOTHY P. MCCORMICK, as Trustee of the TIMOTHY P. MCCORMICK REVOCABLE TRUST; OCWEN LOAN SERVICING, LLC, a Delaware limited liability company, Defendants.	**CV** CV2013-007663 **SUMMONS** If you would like legal advice from a lawyer, contact the Lawyer Referral Service at 602-257-4434 or www.maricopalawyers.org Sponsored by the Maricopa County Bar Association

THE STATE OF ARIZONA TO THE DEFENDANTS:

EASY INVESTMENTS, LLC
Corporation Service Company
2338 W. Royal Palm Rd., #J
Phoenix, Arizona 85021

ACTIVE FUNDING GROUP, LLC
Andrew Abraham, Statutory Agent
Burch & Cracchiolo PA
702 E. Osborn Rd., #200
Phoenix, AZ 85014

DENSCO INVESTMENT CORPORATION
Kurt Johnson Association, PC, Statutory Agent
23005 N. 15th Ave, Suite 2
Phoenix, Arizona 85027

OCWEN LOAN SERVICING, LLC
Corporation Service Company, Statutory Agent
2338 W. Royal Palm Rd., #J
Phoenix, Arizona 85021

Timothy P. McCormick, Trustee of the Timothy P. McCormick Revocable Trust

YOU ARE HEREBY SUMMONED and required to appear and defend, within the time applicable, in this action in this Court. If served within Arizona, you shall appear and defend within twenty (20) days after the service of the Summons and Complaint upon you, exclusive of the day of service. If served out of the State of Arizona--whether by direct service, by registered or certified mail, or by publication--you shall appear and defend within thirty (30) days after the service of the Summons and Complaint upon you is complete, exclusive of the day of service. Where process is served upon the Arizona Director of Insurance as an insurer's attorney to receive service of legal process against it in this State, the insurer shall not be required to appear, answer or plead until expiration of forty (40) days after date of such service upon the Director. Service by registered or certified mail without the State of Arizona is complete thirty (30) days after the date of filing the receipt and affidavit of service with the Court. Service by publication is complete thirty (30) days after the date of first publication. Direct service is complete when made. Service upon the Arizona Motor Vehicle Superintendent is complete thirty (30) days after filing the Affidavit of Compliance and return receipt or Officer's Return. **RCP; A.R.S. §§§ 20-222, 28-502, 28-503.**

YOU ARE HEREBY NOTIFIED that in case of your failure to appear and defend within the time applicable, judgment by default may be rendered against you for the relief demanded in the Complaint.

YOU ARE CAUTIONED that in order to appear and defend, you must file an Answer or proper response in writing with the Clerk of this Court, accompanied by the necessary filing fee, within the time required, and you are required to serve a copy of any Answer or response upon the Plaintiff's attorney. RCP 10(d); A.R.S. § 12-311; RCP 5.

REQUESTS FOR REASONABLE ACCOMMODATION FOR PERSONS WITH DISABILITIES MUST BE MADE TO THE DIVISION ASSIGNED TO THE CASE BY PARTIES AT LEAST 3 JUDICIAL DAYS IN ADVANCE OF A SCHEDULED COURT PROCEEDING.

The name and address of Plaintiff's attorney is:

Richard L. Cobb (#011427)
cobb@lakeandcobb.com
Joseph J. Glenn (#023228)
jjglenn@lakeandcobb.com
LAKE & COBB, P.L.C.
1095 W. Rio Salado Pkwy., Suite 206
Tempe, AZ 85281

COPY

SIGNED AND SEALED this date: MAY 24 2013

By _____
Deputy Clerk

Richard L. Cobb, SBN 011427
cobb@lakeandcobb.com
Joseph J. Glenn, SBN 023228
jjglenn@lakeandcobb.com
LAKE & COBB, P.L.C.
1095 W. Rio Salado Pkwy., Suite 206
Tempe, Arizona 85281
(602) 523-3000 office
(602) 523-3001 fax
Attorneys for Freo Arizona, LLC

COPY

MAY 24 2013

IN THE SUPERIOR COURT FOR THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

FREO ARIZONA, LLC, a Delaware limited liability company, Plaintiff, v. EASY INVESTMENTS, LLC, an Arizona limited liability company; ACTIVE FUNDING GROUP, LLC, an Arizona limited liability company; DENSCO INVESTMENT CORPORATION, an Arizona corporation; TIMOTHY P. MCCORMICK, as Trustee of the TIMOTHY P. MCCORMICK REVOCABLE TRUST; OCWEN LOAN SERVICING, LLC, a Delaware limited liability company, Defendants.	**CV** CV2013-007663 **COMPLAINT** **(DECLARATORY JUDGMENT, BREACH OF CONTRACT)**

Plaintiff Freo Arizona, LLC ("Freo") for its Complaint against Defendants Easy Investments, LLC ("Easy"), Active Funding Group, LLC ("Active"), DenSco Investment Corporation ("DenSco"), Timothy P. McCormick, as Trustee of the Timothy P.

McCormick Revocable Trust ("McCormick"), and Ocwen Loan Servicing, LLC, alleges as follows:

PARTIES, JURISDICTION, AND VENUE

1. Freo is a Delaware limited liability company doing business in Arizona.

2. Upon information and belief, Easy is an Arizona limited liability company doing business in Maricopa County, Arizona.

3. Upon information and belief, Active is an Arizona limited liability company doing business in Maricopa County, Arizona.

4. Upon information and belief, DenSco is an Arizona corporation doing business in Maricopa County, Arizona.

5. Upon information and belief, McCormick resides in Maricopa County, Arizona and is doing business in Maricopa County, Arizona.

6. Upon information and belief, Owcen is Delaware limited liability company doing business in Maricopa County, Arizona.

7. This action concerns a real property located in Maricopa County, Arizona.

8. Venue is proper in this court pursuant to A.R.S. § 12-401.

9. This court has jurisdiction pursuant to A.R.S. § 12-1176, et seq. and A.R.S. § 12-1831 *et seq.*

FACTUAL ALLEGATIONS

10. On December 12, 2012, a Notice of Trustee's Sale was recorded involving the property located at 7089 W. Andrew Lane, Peoria, Arizona, 85383 (the "Property")

11. Joshua and Kathryn Guidone were the trustors for the Deed of Trust identified in the Notice of Trustee's Sale.

12. Freo entered into a contract to purchase the Property from the Guidones.

13. On behalf of Freo, Nayriam Silver obtained a Payoff Statement from Ocwen for the loan that was the subject of the noticed trustee's sale.

14. Ocwen represented to Freo that it would cancel the trustee's sale and release the Deed of Trust due to the sale of the Property to Freo and the payment to Ocwen of the payoff amount.

15. On March 18, 2013, the sale closed and the Warranty Deed transferring the Property to Freo was recorded. Ocwen was also paid the payoff amount of $153,167.59.

16. Freo subsequently made improvements to the Property.

17. Despite the completion of the sale and the payment to Ocwen, Ocwen failed to timely instruct the trustee to cancel the trustee's sale.

18. A purported trustee's sale occurred on March 22, 2013, on the paid-off Ocwen Deed of Trust—resulting in a purported trustee's sale to Easy.

19. Ocwen subsequently caused Deed of Release and Reconveyance and Cancellation of Notice of Trustee's Sale to be recorded.

20. Easy attempted to encumber the property with deeds of trust to Active and DenSco.

21. Active subsequently purported to transfer its interest in one of its deeds of trust to McCormick.

22. Because the Ocwen Deed of Trust was paid off and the Warranty Deed to Freo was a matter of record, the trustee's sale on the Ocwen Deed of Trust was invalid and Easy, Active, Densco, and McCormick did not obtain any interest in the property.

23. Alternatively, Freo was equitably subrogated to first position through its payoff of the Ocwen loan, resulting in a trustee's deed to Easy, subject to the interests of Freo.

24. There is an actual controversy regarding the rights of Freo and Defendants in regards to the Property, such that declaratory relief is appropriate.

COUNT ONE – DECLARATORY JUDGMENT

25. Because Freo paid off the Ocwen Deed of Trust, Ocwen had no interest in the Property at the time of the trustee's sale and Easy did not acquire any rights in the Property.

26. Because Easy did not acquire any rights in the Property, Active, DenSco, and McCormick also failed to receive any interest in the Property.

27. Because Freo paid off the Ocwen Deed of Trust, Freo was equitably subrogated to Ocwen's rights under the Deed of Trust.

28. Freo is entitled to legal and/or equitable relief to secure clear title to the Property.

29. There is an actual and present controversy regarding the rights of Freo and Defendants in regards to their rights in the Property.

LAKE & COBB, P.L.C.

Richard L. Cobb, SBN 011427
cobb@lakeandcobb.com
Joseph J. Glenn, SBN 023228
jjglenn@lakeandcobb.com
LAKE & COBB, P.L.C.
1095 W. Rio Salado Pkwy., Suite 206
Tempe, Arizona 85281
(602) 523-3000 office
(602) 523-3001 fax
Attorneys for Freo Arizona, LLC

IN THE SUPERIOR COURT FOR THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

FREO ARIZONA, LLC, a Delaware limited liability company, Plaintiff, v. EASY INVESTMENTS, LLC, an Arizona limited liability company; ACTIVE FUNDING GROUP, LLC, an Arizona limited liability company; DENSCO INVESTMENT CORPORATION, an Arizona corporation; TIMOTHY P. MCCORMICK, as Trustee of the TIMOTHY P. MCCORMICK REVOCABLE TRUST; OCWEN LOAN SERVICING, LLC, a Delaware limited liability company, Defendants.	CV CV2013-007663 **CERTIFICATE OF COMPULSORY ARBITRATION**

Plaintiff Freo Arizona, LLC hereby certifies that this matter is not subject to compulsory arbitration for the reason that it seeks other than monetary relief.

///

RESPECTFULLY SUBMITTED this 24th day of May, 2013.

LAKE & COBB, P.L.C.

By: _____
Richard L. Cobb
Joseph J. Glenn

LAKE & COBB, P.L.C.
1944 E. Rio Salado Pkwy,
Suite 320
Tempe, Arizona 85281

Richard L. Cobb, SBN 011427
cobb@lakeandcobb.com
Joseph J. Glenn, SBN 023228
jjglenn@lakeandcobb.com
LAKE & COBB, P.L.C.
1095 W. Rio Salado Pkwy., Suite 206
Tempe, Arizona 85281
(602) 523-3000 office
(602) 523-3001 fax
Attorneys for Freo Arizona, LLC

IN THE SUPERIOR COURT FOR THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

FREO ARIZONA, LLC, a Delaware limited liability company, Plaintiff, v. EASY INVESTMENTS, LLC, an Arizona limited liability company; ACTIVE FUNDING GROUP, LLC, an Arizona limited liability company; DENSCO INVESTMENT CORPORATION, an Arizona corporation; TIMOTHY P. MCCORMICK, as Trustee of the TIMOTHY P. MCCORMICK REVOCABLE TRUST; OCWEN LOAN SERVICING, LLC, a Delaware limited liability company, Defendants.	CV CV2013-007663 **LIS PENDENS**

NOTICE IS HEREBY GIVEN that a legal action has been commenced in the Maricopa County Superior Court for the State of Arizona by Plaintiff Freo Arizona, LLC,

against the above-named Defendants, which suit is now pending and involves the title to real property situated in Maricopa County, Arizona, described as:

7089 W. Andrew Lane, Peoria, Arizona, 85383

Legal Description:

Lot 92, of SONORAN MOUNTAIN RANCH PARCEL 5, according to the plat of record in the office of the County Recorder of Maricopa County, Arizona, recorded in Book 672 of Maps, Page 37.

The object of the action and the relief demanded is a declaratory action seeking a declaration that Free Arizona, LLC has fee simple title to the property and that the above-named Defendants do not have any interest in the property.

DATED this 24th day of May, 2013.

LAKE & COBB, P.L.C.

Joseph J. Glenn
Attorneys for Plaintiff

Subscribed and sworn to before me this 24th day of May, 2013 by Joseph J. Glenn.

Notary Public

OFFICIAL SEAL
SHERRILL PRIDEAUX SMITH
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Feb. 10, 2015

My Commission Expires:

Feb. 10, 2015

LAKE & COBB, P.L.C.

Exhibit 13

John E. DeWulf (006850)
Marvin C. Ruth (024220)
Vidula U. Patki (030742)
COPPERSMITH BROCKELMAN PLC
2800 North Central Avenue, Suite 1900
Phoenix, Arizona 85004
T: (602) 224-0999
F: (602) 224-0620
jdewulf@cblawyers.com
mruth@cblawyers.com
vpatki@cblawyers.com

Attorneys for Defendants

SUPERIOR COURT OF ARIZONA

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 **DEFENDANTS' DISCLOSURE OF EXPERT WITNESS KEVIN OLSON** (Commercial Case) (Assigned to the Honorable Daniel Martin)

Pursuant to the Court's May 16, 2018 Scheduling Order, Defendants Clark Hill PLC and David G. Beauchamp, hereby disclose the attached report of Kevin Olson.

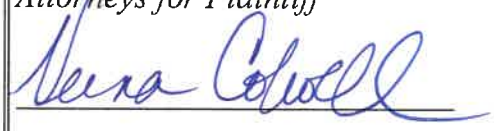
DATED this 5th day of April, 2019.

COPPERSMITH BROCKELMAN PLC

By: _____
John E. DeWulf
Marvin C. Ruth
Vidula U. Patki
2800 North Central Avenue, Suite 1900
Phoenix, Arizona 85004
Attorneys for Defendants

ORIGINAL of the foregoing e-mailed/mailed this 5th day of April, 2019 to:

Colin F. Campbell, Esq.
Geoffrey M. T. Sturr, Esq.
Joshua M. Whitaker, Esq.
OSBORN MALEDON, P.A.
2929 N. Central Ave., Suite 2100
Phoenix, AZ 85012-2793
Attorneys for Plaintiff



EXPERT REPORT OF KEVIN OLSON

April 5, 2019

Re: Peter S. Davis v. Clark Hill, et al.

1. Introduction and Qualifications

I was admitted to practice in Arizona in October 1980 after graduating from Yale Law School in May 1980. I began working at Lewis and Roca in Phoenix, Arizona, in June 1980 and practiced law there, first as an associate and then as a partner, from the date of my admission until I left to join Steptoe & Johnson LLP in October 1997. I have practiced law as a partner at Steptoe from October 1997 through the present date.

At Lewis and Roca, a significant part of my practice from the mid-1980s until I left in 1997 was advising clients in connection with securities offerings, including offerings qualified under SEC Regulation D. In that period I estimate I advised clients in connection with 3 to 6 offerings per year.

I remain active in both the Securities Law section and the Business Law section of the State Bar of Arizona. I was involved in the leadership of each section, and became chair of each section, at separate times during the 1980s and 1990s. As a member of the leadership council and as chair of the Securities Law section, I was actively involved in efforts to improve and simplify Arizona's securities laws, including its analog to Regulation D.

When I joined Steptoe in 1998, I continued to advise clients with respect to private offerings (including Regulation D offerings), as well as advising larger companies focused on bank and other institutional financing or on public securities markets. While my work in private offerings has lessened over time, I am familiar with the SEC's rules and practices relating to Regulation D since even companies that are primarily focused on bank and institutional financing will periodically find a Regulation D offering a preferable method for raising capital. I regularly review all SEC releases related to the securities markets, including releases related to Regulation D and the private offering markets. I also have regularly attended Securities Law

section programs, particularly those presented at the State Bar Convention relating to SEC developments.

I have not served regularly as an expert in litigated cases, and to date each case where I agreed to serve as an expert was settled before I was deposed or called upon to testify at trial.

I was engaged by Clark Hill's counsel in this case on an hourly basis, at the rate of $665 per hour. None of my compensation is contingent upon the content of my report or the result of this case.

I have been engaged to address the applicable standard of care for securities and transactional lawyers and its application to David Beauchamp and the lawyers with whom he worked.

2. Documents and Other Matters Reviewed

In preparing this report, I was supplied and reviewed the deposition transcripts of the receiver, Mr. Davis, Shawna Heuer, Densco's accountant Mr. Preston, and of Clark Hill attorneys Mr. Beauchamp, Mr. Schenck, Mr. Anderson, and Mr. Hood, as well as former Clark Hill attorney Mr. Sifferman. I also reviewed the latest version of each party's disclosure statement as well as the documents and other exhibits as listed on Exhibit A.

3. Brief Background

3.1. DenSco Business

DenSco Investment Corporation ("DenSco") is a company that was solely owned and managed by Denny Chittick. DenSco began operations in the early 2000s and operated continually until Mr. Chittick's suicide in late July 2016. DenSco did not have any directors, officers, or employees other than Mr. Chittick. Mr. Chittick was responsible for managing DenSco's business, with only occasional assistance from experts, consultants and contractors. Mr. Chittick appears to have sought to operate DenSco with very low overhead and to minimize outside costs as much as possible.

DenSco was focused on the "hard money lending" business in Arizona. DenSco made high interest short-term loans to borrowers, who used DenSco's funds to buy residential

properties (primarily in the metro Phoenix, Arizona, area and often out of foreclosure). The loans were intended to be secured by deeds of trusts on the properties purchased. The purchasers would improve the properties (with physical improvements or by placing renters in them) and then seek to "flip" them quickly at a substantial profit even after payment of DenSco's interest charges.

DenSco financed its business by raising money from investors. DenSco issued general obligation notes at interest rates that varied depending on the maturity date. The notes were not directly tied to or secured by the properties DenSco was financing, or by any other security. All of the investors represented to DenSco that they were "accredited investors" under SEC Regulation D, which meant that DenSco's sales of the notes qualified for exemption from registration under SEC Rule 506 (discussed below).

3.2. David Beauchamp's Representation of DenSco

David Beauchamp has represented clients in the areas of corporate law, securities, venture capital, and private equity for more than 35 years, since graduating with honors from the University of Michigan Law School in 1981. Mr. Beauchamp started providing securities advice to DenSco in the early 2000s, while he was a partner at the law firm Gammage & Burnham. He continued to provide securities advice to DenSco when Mr. Beauchamp joined Bryan Cave in March 2008 and when he joined Clark Hill in September 2013.

Until mid-2013, Mr. Beauchamp's work as DenSco's counsel included, among other things, drafting DenSco's Private Offering Memoranda and related investor documents, including subscription agreements and questionnaires; advising DenSco regarding Blue Sky laws and state and federal securities reporting and filing requirements; advising DenSco as to state financial and lending rules; and advising DenSco regarding the applicability of mortgage broker regulations. At times, Mr. Beauchamp answered DenSco's questions regarding its Reg D filings and obligations, although this is a task for which Mr. Chittick took primary responsibility. On rare occasions, Mr. Beauchamp offered other advice, including advice in May and June, 2011, regarding the potential formation of a title insurance company.

Mr. Chittick's relationship with his lawyer developed over more than a dozen years. During that time, it appeared to Mr. Beauchamp that Mr. Chittick was a trustworthy and savvy businessman, and a good client. He appeared to be devoted to his business and investors, many of whom Mr. Beauchamp understood were friends, neighbors, and family. Despite often complaining about the cost of legal services, Mr. Chittick appeared to follow Mr. Beauchamp's advice and provided information when asked for it, at least until the final 6 months of the representation.

In addition to Mr. Beauchamp, DenSco used other professionals. At minimum, DenSco had an outside accountant, David Preston, who prepared both DenSco's and Mr. Chittick's tax returns. It appears, based on Mr. Preston's testimony, that Mr. Chittick failed to provide complete and accurate information regarding DenSco and its finances to Mr. Preston. Mr. Beauchamp was not engaged or asked to review or approve DenSco financial statements or tax returns or to investigate borrowers. Mr. Beauchamp was not provided access to DenSco's financial statements or Quickbooks accounting records.

4. Securities Regulations and Context

Because much of Mr. Beauchamp's advice to DenSco was based on DenSco's obligations under applicable securities laws, a brief discussion of the background and development of the Federal securities laws is helpful to provide context to the conclusions reached in this report.

4.1. Adoption of the 1933 and 1934 Acts

The fundamental federal laws governing the sale of securities in the United States are the Securities Act of 1933 ("33 Act"), which governs the sale by an issuer of any securities in any public offering, and the Securities Exchange Act of 1934 ("34 Act"), which governs the obligations of an issuer of publicly registered securities to make disclosures about the issuer, its securities and its business. The Securities Exchange Commission ("SEC") has issued many regulations under each of these Acts to implement their requirements and guide issuers and investors with respect to their obligations.

Before the two Acts the sale and resale of securities was governed by a patchwork of state laws (and very limited federal laws) so that it was difficult for issuers and investors to operate in a national market. Many issuers engaged in questionable activities that led to significant losses for investors, who did not have adequate information about the companies they invested in.

The two Acts imposed new rules on issuers in the public securities markets, leading to the development of better regulated national markets in which investors could have more confidence than before the Acts came into force. Together, the two Acts impose a disclosure regimen that is intended to give investors the information they need in order to make informed choices about the companies they wish to invest in. Both Acts are focused on disclosure and giving information to investors, not on evaluating or approving the merits of any given investment.

4.2. The Public Offering and its Costs.

The 33 Act is the primary act governing an issuer's initial sale of its securities to investors. Under the 33 Act, an issuer may sell its securities only if either (a) the sale of the securities is registered under the 33 Act or (b) the sale of the securities qualifies for an exemption under the 33 Act.

A sale registered under the 33 Act is known as a "public offering" and an issuer's first sale under the 33 Act is known as an "initial public offering." The IPO process is generally an extended and expensive one that requires preparation of a prospectus describing the issuer, the issuer's business, and the securities being sold. The issuer is also required to make available audited financial statements for at least 2 years before the offering.

The costs associated with a public offering will generally run into the millions of dollars and, when the offering is complete, the issuer then must also assume the costs of registration and disclosure under the 34 Act and of the stock exchange where the securities will trade. For all but the smallest companies, the costs are likely to involve over $3 million per year in overhead, accounting, and legal expense—in some cases significantly more. As a result, a

public offering is generally not realistic for companies who are not raising very substantial amounts—generally $100 million and preferably much more.

4.3. Private Offerings and Regulation D

The 33 Act recognizes that not all sales of securities can be economically registered under the Act and provides exemptions for certain sales. The most important of these is an exemption for sales by an issuer "not involving any public offering." The SEC initially promulgated Regulation D in 1982 to establish conditions under which sales would be deemed not to involve a public offering. Since 1982, the SEC has progressively expanded the offerings that qualify for the Regulation D exemption as it has determined that more restrictive conditions were not necessary. The most recent expansion, in 2013, now permits companies to make general solicitations of accredited investors to participate in certain Regulation D offerings.

4.4. Accredited Investors

Regulation D establishes a definition of accredited investors and allows issuers to sell to accredited investors under rules that reduce the disclosure necessary in, and therefore the cost of, offerings that are limited to accredited investors. The reduced disclosure is permitted because accredited investors have the assets or income deemed necessary to give them experience in investment matters, and leverage with issuers, so that they are deemed to have the ability to insist on receiving all information they believe is necessary to evaluate an investment in the proposed security.

I will not here discuss the accredited investor definition in detail, since that definition has not been an issue in this case, but a basic description of accredited investors is:

- Individuals with:
    - a net worth (alone or with spouse, but excluding primary residence) over $1 million;
    - individual income for the last 2 years, and reasonably expected for the current year, of $200,000 per year; or

- income with spouse for the last 2 years, and reasonably expected for the current year, of $300,000 per year;

- Directors, executive officers, and general partners of the issuer;
- Banks and other private development companies;
- Certain entities (including trusts and corporations) with assets over $5 million; and
- Other entities if all of their owners are accredited investors.

4.5. Advantages of Offerings to Accredited Investors

Under Regulation D, Rule 506(c), an offering that is limited to accredited investors (and satisfies the other conditions to Rule 506(c), which are not relevant to this report) is not required to provide substantive information in any particular format. Consequently, the information can be conveyed verbally or in writing. In contrast, if an offering is made that includes non-accredited investors, Rule 506(b) requires disclosure of information in writing, to the extent material, that is equivalent to what is required in a registration statement the issuer would be eligible to use for a public offering.

The lack of specific written information requirements for offerings to accredited investors is because of the SEC's decision that accredited investors have the assets, income, knowledge, experience and leverage necessary to insist on the information they deem relevant, such that the SEC does not have to prescribe what information is required.

The framework Regulation D has established for private offerings allows issuers to conduct offerings to accredited investors at a much lower cost than to non-accredited investors or in a public offering. The framework loosens the requirements as to how material information must be disclosed to investors. In a public offering, or an offering that includes non-accredited investors, the issuer must provide specific written disclosure of information about the issuer, its business, and its financial condition. The preparation of such documents requires the involvement of, and due diligence by, accountants, lawyers, and other experts. Private offerings to non-accredited investors are substantially less costly than public offerings,

but the specific written disclosure that is required makes them much more expensive than private offerings that are limited to accredited investors.

Offerings limited to accredited investors can be completed at a much lower cost because the assistance required from accountants, lawyers and experts is much less. Further, the lack of a requirement to prepare specific written disclosure reduces the diligence required of such professionals. As a result, if an issuer is confident that it has connections with an adequate number of accredited investors, a private offering to non-accredited investors is the preferred method for raising lesser amounts.

4.6. Requirement for Adequate Disclosure

The lack of specific written disclosure requirements in an offering to accredited investors does not make such offerings a free for all in which issuers are free to withhold relevant information. It only means that the issuer is free to work with investors to provide all material information in a manner that is appropriate under the circumstances. Issuers still have an obligation to disclose material information that is accurate and to disclose all information necessary to make the disclosures that are made not misleading.

Many issuers make basic disclosures to accredited investors in a written private offering memorandum ("POM"), supplemented by other written or oral disclosures. In many offerings the most important information is disclosed in diligence meetings between the issuer's management and investors. If prepared, the POM provides the initial outline of high-level information but is expected to be supplemented by other written and oral disclosures. The supplemental disclosures often focus on material developments since the date of the POM and some issuers decide not to use a POM at all in favor of providing information based on the questions of their investors.

5. The DenSco Offerings

From the start of its capital raising efforts, DenSco's offerings were conducted as private offerings and were made solely to accredited investors. They were intended to qualify under Regulation D, Rule 506(c) and appear to have so qualified.

Until the SEC's expansion of Regulation D in July 2013, when the SEC allowed general solicitation of accredited investors in Rule 506(c) offerings, the SEC required that private offerings to accredited investors not involve advertising or general solicitation. DenSco's offerings were developed and most were conducted before the July 2013 expansion, so they did not involve general solicitation. This was a subject of discussion between Mr. Beauchamp and DenSco in the Summer of 2013 regarding the contents of DenSco's website, and whether those contents constituted a general solicitation. In fact, it appears that the offerings were mostly limited to Mr. Chittick's friends and family, and to other investors specifically referred by friends and family.

DenSco's offerings were conducted under rules that did not require a POM. To the extent a POM was prepared, DenSco's offerings were conducted under rules that did not requir any particular content in the POM. Like many issuers, DenSco developed a pattern of preparing and periodically updating a POM—in DenSco's case, every 2 years. As noted above, this is common practice in Rule 506(c) offerings and the POM is ordinarily supplemented by disclosures (both verbal or written) that give investors information about material developments since the date of the POM. Thus, DenSco could comply with its Regulation D obligations by disclosing information orally.

Because the DenSco offerings did not require a POM, the expiration of the then-current POM was not a problem for DenSco's offering. If the POM expired, DenSco could stop using the expired POM entirely, but make other disclosures (both orally and in writing) to replace those in the expired POM. Alternatively, DenSco could continue to use the POM (which investors could see was expired) and use it's supplemental oral and written disclosures to bring the information provided to investors up to date. The important requirement of Rule 506(c) is for adequate disclosure to the investors, so that the failure to update the POM would not directly violate the rules of the offering.

Issuers voluntarily use a POM in many offerings because the POM provides a basic outline of information and sets forth the core facts about the issuer's business. This makes it

easier for the issuer to provide the basic information to each investor and also makes it easier to update material information since only information that has changed needs to be provided to investors.

As noted above, one advantage of an accredited investor only private offering is the reduced costs of such an offering. A significant part of this reduction in costs is the reduced role of accountants, lawyers and experts—since the POM is not required to contain specific written information that the SEC requires in public or non-accredited investor offerings, an issuer can provide the basic information based on its internal records. The outside accountants and lawyers do not have to audit or otherwise confirm the information. This is a major cost savings, but means that these outside advisors are not playing a role in confirming the information the company develops.

5.1. Mr. Beauchamp's role and Densco's POMs

Mr. Beauchamp advised DenSco regarding its POMs. In conjunction with other attorneys across multiple law firms (including Gammage & Burnham, Bryan Cave and Clark Hill), Mr. Beauchamp helped draft and update the 2003, 2005, 2007, 2009, and 2011 POMs. The POMs had similar provisions and in all cases relied upon specific information and data Mr. Chittick supplied—no outside advisers were retained to provide a comprehensive due diligence review or audit of the information in the POMs. Generally, the POMs:

(a) described DenSco's historical lending performance;

(b) described DenSco's borrowing and investment history;

(c) disclosed Mr. Chittick's authority to determine DenSco's "major business decisions and policies", and to make, amend, or deviate from those policies in Mr. Chittick's sole discretion;

(d) set forth DenSco's lending standards, including:

   i. DenSco's intent to "maintain a loan-to-value ratio below 70%" for both individual trust deeds that secure loans to borrowers from DenSco and the aggregate loan portfolio,

ii. DenSco's intent to "achieve a diverse borrower base" with no borrower comprising more than 10-15% of the portfolio, and

iii. DenSco's intent that loans be secured by first position trust deeds;

(e) provided information regarding DenSco's lending history and loan portfolio, and provided an assessment of certain risks, including the risk of insufficient demand, the risk that DenSco's success depended on its ability to achieve and maintain growth, and the risk that such growth could challenge the company's management and resources;

(f) explained that DenSco would offer Notes until the earlier of two years after the POM was issued or the offering reached a maximum of $50 million. The 2011 POM purports to expire on July 1, 2013—two years after the 2011 POM was issued. DenSco retained the right to amend, modify, or terminate the offering; and

(g) set forth the nature of the investments that investors could make. Generally, DenSco sold notes with six month, one year, and two to five year terms, with corresponding interest rates at 8, 10, and 12%. Investors could elect to be paid interest quarterly, or to allow the interest to accrue. At the note's maturity, investors could elect to rollover their investment or redeem the note.

In helping to prepare the POMs, Mr. Beauchamp would generally inquire of Mr. Chittick as to how DenSco was administering the loans and performing due diligence on the collateral. Mr. Chittick played an active role in providing all of the information with respect to DenSco's operations and performance included in the POMs and also demonstrated his familiarity with the requirement to limit the DenSco offering to accredited investors only.

5.2. Diligence Reviews and Other Offering Issues

As noted above, neither Mr. Beauchamp nor any other outside professionals or advisors were asked to conduct a comprehensive due diligence review to confirm the statements in the POM, nor to monitor DenSco's ongoing compliance with those statements.

Such a review was not required, would have been atypical, and would have involved substantial additional expense.

Further, I understand that the Plaintiff is asserting that the increased amounts of money DenSco was lending and raising, as reflected in the 2011 POM Mr. Beauchamp help draft, should have been a "red flag" to Mr. Beauchamp that perhaps Mr. Chittick was taken on too much responsibility given the expanding size of DenSco's portfolio. In my opinion, the increased amounts of money being lent and raised did not constitute a "red flag" that required further diligence, action or advice from Mr. Beauchamp. The amount of money being lent and raised was consistent with a "hot" market as the real estate market finally recovered from the 2007 to 2010 collapse. Mr. Chittick had demonstrated the ability to manage through a very difficult time and had been a competent manager. He, not Mr. Beauchamp, was responsible to determine what infrastructure was needed to operate the business as volume expanded.

5.3. Hard Money Lending Practices

In addition to providing advice regarding the POMs, Mr. Beauchamp and his prior law firms, including Gammage & Burnham, also provided advice to DenSco regarding proper loan documentation and procedures. DenSco and Mr. Chittick were advised (a) that DenSco should fund loans through a trustee, title company or other fiduciary under a letter of instruction, (b) that DenSco was representing to its investors that DenSco's loans would be in first position, and (c) that it was of fundamental importance that DenSco safeguard the use of its funds by properly recording liens, in order to ensure that DenSco's loans were in first position. The mortgage documents that DenSco used appeared to comply with those instructions, and state that DenSco was funding its loans through a trustee. Mr. Beauchamp reiterated this advice repeatedly, including in January 2014.

It now appears that DenSco suffered losses as a result of what the Receiver has termed the First Fraud and the Second Fraud. These losses were a direct result of DenSco's decision to pay loan funds directly to borrowers (particularly Menaged), which allowed borrowers to use the funds for purposes not intended under the loan documents and to

avoid recording liens on the properties for which DenSco was ostensibly lending. Mr. Beauchamp was not responsible to, or in a position to, prevent Mr. Chittick from ignoring this advice when Mr. Chittick came under Mr. Menaged's undue influence. Further, it appears that Mr. Chittick, starting as early as Fall of 2012, and even after learning of Menaged's misuse of DenSco funds, abandoned his business model and fundamental hard money lending practices, including the representations about his practices made to his investors.

5.4. Investment Process

Investors were required to sign a Subscription Agreement and received a promissory note from DenSco setting forth the terms of their investment. Only accredited investors could purchase the notes from DenSco.

5.5. Reasonableness of Mr. Beauchamp's reliance on Mr. Chittick

Until the difficulties that Mr. Chittick slowly began to disclose to Mr. Beauchamp as discussed in Section 6 below, Mr. Chittick's history and relationship with Mr. Beauchamp was one that appears to demonstrate Mr. Chittick's professionalism, desire to operate DenSco in full compliance with the law, and willingness to follow the obligations and guidelines set forth in DenSco's POM, which he updated regularly.

Mr. Chittick successfully managed DenSco's business through the dramatic real estate collapse that Arizona suffered from late 2007 through 2010. During that period the collapse placed increased stress on the DenSco business, including the need to manage a dramatic increase in foreclosures and repossessions. Mr. Chittick disclosed such difficulties to his investors and worked through them for DenSco. Mr. Chittick had operated DenSco through a very difficult real estate recession, disclosing the developments to his investors and never missing an interest payment or defaulting on his notes to investors.

DenSco at all times appeared to be performing well, with few borrower issues, as reflected in the information Mr. Chittick provided Mr. Beauchamp during their work updating the POMs. On those facts, Mr. Chittick appeared to have demonstrated competent leadership

and appeared to have followed appropriate procedures. This properly informed Mr. Beauchamp's perception of, and advice to, Mr. Chittick.

5.6. Updating the 2011 POM

In 2013 Mr. Beauchamp started working with Mr. Chittick to update the DenSco POM. Mr. Chittick and Mr. Beauchamp met as early as May 2013 to discuss the updates. DenSco needed to update its financial information and borrower information and disclose the size of its portfolio. Mr. Chittick informed Mr. Beauchamp that he had 114 individual borrowers holding investor notes across approximately 80 families. He also disclosed to Mr. Beauchamp that he had reached or was about to cross the $50 million threshold in funds raised.

Mr. Beauchamp and Bryan Cave conducted some research to determine if crossing that threshold would impose additional obligations on DenSco. They determined it would not. Mr. Chittick, however, did not provide all the updated detail, including financial detail, that was needed for the 2013 POM. Mr. Beauchamp also understood that Mr. Chittick preferred to wait to issue an updated POM until after he scaled down the amount outstanding to investors. Mr. Beauchamp advised against waiting. Mr. Beauchamp, however, could not update the POM on his own – it required that Mr. Chittick provide updated financial information with respect to DenSco's investors and DenSco's loan portfolio.

6. DenSco's Difficulties and Mr. Chittick's Suicide

6.1. The FREO Lawsuit

On May 24, 2013, Easy Investments, an entity owned by Yomtov "Scott" Menaged ("Menaged"), DenSco, and Ocwen Loan Servicing, were sued by FREO Arizona, LLC ("FREO"). In a June 14, 2013 email from Mr. Chittick to Mr. Beauchamp, Mr. Chittick first disclosed the lawsuit to Mr. Beauchamp and explained that Easy Investments had purchased a property at a trustee's sale using a DenSco loan, which property had apparently been previously purchased by FREO, leading to a dispute. The partial Complaint attached to the email included an allegation that the property at issue was subject to liens held by both DenSco and Active Funding Corporation.

Mr. Chittick did not ask Mr. Beauchamp to represent DenSco in the litigation nor did he ask Mr. Beauchamp to investigate the factual allegations in the Complaint. Mr. Chittick expressly stated that he merely wanted Mr. Beauchamp to "be aware" of the lawsuit. Mr. Chittick also represented to Mr. Beauchamp that the borrower involved in the lawsuit, Menaged, was a good borrower. Specifically, Mr. Chittick stated:

> I have a borrower, to which I've done a ton of business with, million in loans and hundreds of loans for several years, he's getting sued along with me. . . . Easy Investments, has his attorney working on it, I'm ok to piggy back with his attorney to fight it, Easy Investments is willing to pay the legal fees to fight it. I just wanted you to be aware of it, and talk to his attorney.

As requested, Mr. Beauchamp did not represent DenSco in the litigation and did not conduct any further investigation into its merits. Mr. Beauchamp did, however, explain to Mr. Chittick that this lawsuit would need to be disclosed in DenSco's 2013 POM. In addition, Mr. Beauchamp advised Mr. Chittick, as he had done previously, that Mr. Chittick needed to fund DenSco's loans directly to the title or escrow company conducting the sale to ensure that DenSco's deed of trust was recorded with the intended priority. Mr. Chittick, however, explained to Mr. Beauchamp that this was an isolated incident with a borrower, Menaged, whom Mr. Chittick had vouched for in his email as someone he had "done a ton of business with...hundreds of loans for several years...."

In my opinion, neither the information in the FREO lawsuit, nor the information Mr. Chittick shared with Beauchamp about the FREO lawsuit, would have or should have prompted Mr. Beauchamp to raise additional concerns about DenSco's business practices. At most, the FREO lawsuit suggested that there had been a failure in one instance to secure a first position deed of trust. The information provided by DenSco to Mr. Beauchamp in connection with the FREO lawsuit did not present "red flags" or put Beauchamp on notice that Mr. Chittick was violating his representations in the POMs. There are a variety of events that may cause a property to end up as the subject of multiple liens, and there was no reason or basis for Mr. Beauchamp to conduct further due diligence on his own given Mr. Chittick's statement that he was happy to piggyback on the other party's lawyer in the case. There was

no basis to determine that DenSco was in material violation of its representations in the POM, or that Mr. Chittick was lying to Mr. Beauchamp based on this supposedly isolated occurrence. There was no basis for Mr. Beauchamp to question his client's explanation, and no reasonable basis for him to perform due diligence on his own.

As set forth elsewhere, however, Mr. Chittick knew at the time, or should have known, that the double liening issue was systemic, and had been for some time. Mr. Chittick, however, failed to provide that information to Mr. Beauchamp.

6.2. Mr. Beauchamp leaves Bryan Cave

Mr. Beauchamp left Bryan Cave at the end of August 2013. On August 30, 2013, Mr. Beauchamp and Bryan Cave sent Mr. Beauchamp's clients, including DenSco, a joint separation letter informing them that Mr. Beauchamp was joining Clark Hill effective as of September 1, 2013. The letter invited those clients to either request the transition of their files to Mr. Beauchamp or affirmatively request that the files remain at Bryan Cave. Mr. Chittick initially agreed to transfer a portion of DenSco's files to Clark Hill, but aside from DenSco's authorization letter, Mr. Beauchamp did not hear from Mr. Chittick regarding the unfinished 2013 POM, or any other matter, until December 2013.

6.3. DenSco contacts Mr. Beauchamp in late 2013

On December 18, 2013, Mr. Chittick contacted Mr. Beauchamp via email, requesting information regarding updating of the 2013 POM. Mr. Chittick and Mr. Beauchamp also had a brief phone call. I understand that Mr. Chittick told Mr. Beauchamp over the phone that he had run into an issue with some of his loans to Menaged, and specifically, that properties securing a few DenSco loans were each subject to a second deed of trust competing for priority with DenSco's deed of trust. Mr. Beauchamp reminded Mr. Chittick that he still needed to update DenSco's private offering memorandum. Mr. Chittick stated he wanted to avoid litigation with Menaged, but did not request any advice or help. Instead he indicated he wanted to continue working on a plan with Menaged to resolve the double-lien issue. Mr. Beauchamp suggested

that Mr. Chittick and Menaged document their plan. Nothing more came of the conversation until January.

Under these circumstances, I do not believe that, at this time, there was sufficient information from which Mr. Beauchamp could surmise that there was a systemic issue regarding double liening at DenSco. I also believe that Mr. Beauchamp could reasonably believe, given the history of their relationship and his knowledge of Mr. Chittick's practices, that Mr. Chittick would handle this as a business matter and keep Mr. Beauchamp reasonably apprised as to his progress. It now appears that Mr. Chittick possessed additional knowledge regarding the scope of the double liening issue as of December 2013, but did not share this knowledge with his lawyer until at least January 2014, after other lenders threatened suit.

6.4. Mr. Beauchamp is told more about the double liening issue

On January 6, 2014, Attorney Bob Miller at Bryan Cave sent Mr. Chittick a letter on behalf of various lenders (the "Miller Lenders"). The letter asserted that the Miller Lenders had advanced purchase money loans directly to trustees to buy more than 50 properties out of foreclosure, and had recorded deeds of trust to evidence their first position security interest. DenSco, however, had likewise recorded mortgages evidencing its purchase money loans for the same properties. The Miller Lenders asserted that DenSco's claimed interest was a "practical and legal impossibility since...only the Lenders provided the applicable trustee with certified funds supporting the Borrowers purchase money acquisition for each of the Properties," demanded that DenSco subordinate its alleged interests to their interests, and threatened to bring claims for fraud, negligent misrepresentation, and wrongful recordation.

Mr. Chittick sent the Miller letter to Mr. Beauchamp on January 6, 2014 with a request for Mr. Beauchamp to "read the first two pages." The next day, Mr. Chittick provided Mr. Beauchamp a more expansive explanation. In his email, Mr. Chittick explained an issue with Menaged's cousin and Menaged's sick wife that led to the double liens and the loss of DenSco funds. Again, Mr. Chittick vouched for Menaged. He represented to Mr. Beauchamp that he

had lent Menaged a total of $50 million since 2007 and that he'd "never had a problem with payment or issue that hasn't been resolved."

Mr. Chittick disclosure of information to Mr. Beauchamp was incomplete and misleading.

First, emails between Mr. Chittick, Menaged, and Mr. Greg Reichman at Active Funding Group indicate that Mr. Chittick was aware that Menaged had been double liening properties using DenSco's funds as far back as September 2012. It was at that time that Gregg Reichman at Active Funding Group told Mr. Chittick that Menaged had double liened multiple properties with loans from both Active Funding Group and DenSco, thereby putting in question DenSco's lien priority and loan-to-value ratio. It is unclear what Menaged's excuse or explanation to Mr. Chittick was in the Fall of 2012 for double liening properties with DenSco funds. It is unclear whether Mr. Chittick conducted any due diligence with respect to Mr. Menaged's double liening using DenSco funds despite being provided this critical information. It appears, however, that Mr. Chittick (a) drastically increased his lending to Menaged after the 2012 double liening revelation, such that by the end of 2013, more than half of his loan portfolio was for loans to entities Menaged controlled and (b) Mr. Chittick did not then notify Mr. Beauchamp about the extent of the double liening issue. Even when he began to disclose the issue to Mr. Beauchamp in January 2014, Mr. Chittick did not immediately reveal the full extent of the problem – he only provided partial disclosures over time. There were various times in the preceding 18 months where Mr. Chittick could have revealed to Mr. Beauchamp that Menaged's misuse of DenSco funds was an ongoing issue. He did not do so.

Second, based on information in Defendants' Disclosure Statement and the Receiver's reports, Mr. Chittick's representation that DenSco had never had a problem payment or issue with Menaged was misleading, even aside from the ongoing double liening issue. DenSco had lent Menaged $31 million in 2013 alone, and had $28.5 million in loans to Menaged outstanding as of the end of 2013, a large portion of which were more than six months past

due, including a significant number of 2012 loans. Mr. Chittick did not share this information with Mr. Beauchamp.

Having a full, complete, and timely disclosure from Mr. Chittick would have aided Mr. Beauchamp in his efforts to counsel DenSco in January 2014 and would have provided critical context for DenSco's lending relationship with Menaged.

Mr. Chittick did explain to Mr. Beauchamp that Menaged's wife had allegedly become critically ill in the past year, and that Menaged had turned the day-to-day operations of his companies over to his cousin. According to Mr. Chittick, the cousin would receive loan funds directly from DenSco, then request loans for the same property from another lender, including the Miller Lenders. The other lenders, who had funded their loans directly to the trustee, would record their deed of trust, as would DenSco, leaving DenSco at risk of being placed in second position. The cousin then purportedly absconded with the funds DenSco lent directly to Menaged. This "double lien" issue consequently jeopardized DenSco's secured position and its loan-to-value ratios. Mr. Chittick feared that a lawsuit with the Miller Lenders would jeopardize DenSco's ability to maintain its business.

6.5. The DenSco/Menaged Workout Plans

According to Mr. Chittick's email to Mr. Beauchamp, Menaged purportedly found out about his cousin's scam in November 2013 and revealed the fraud to Mr. Chittick at that time. Mr. Chittick did not consult Mr. Beauchamp in November 2013. Instead, Mr. Chittick and Menaged devised a plan to "fix" the double lien issue, which included having DenSco pay off other lenders such that DenSco would be sole secured party with respect to the properties. That required additional capital, which Menaged and Mr. Chittick agreed would come from (a) DenSco lending Menaged an additional $1 million and (b) Menaged investing additional capital, including $4-$5 million from the liquidation of other assets.

By the time Mr. Chittick provided Mr. Beauchamp with the Miller letter (and an incomplete disclosure of the issues DenSco had been facing since 2012), Mr. Chittick and Menaged had already reached a verbal agreement on how to deal with the double lien issue

and had already started performing on that agreement. According to Mr. Chittick's January 7, 2014 email, DenSco and Menaged had been "proceeding with this plan since November [2013]." The Receiver has also stated that Mr. Chittick began lending on the $1 million line of credit to Menaged to further the workout plan in December 2013.

The terms Menaged and Mr. Chittick had already negotiated were ultimately set forth in a term sheet that Mr. Beauchamp helped draft based on DenSco and Menaged's plan. At Menaged and Mr. Chittick's insistence, however, the term sheet omitted language Mr. Beauchamp advised DenSco to include. For example, Mr. Beauchamp had included language whereby Menaged would admit that he was required to put DenSco in first position. Menaged refused. Mr. Beauchamp cautioned Mr. Chittick on January 16, 2014 that "we don't recommend that you accept these changes because it still leaves open the question of whether Scott intended for DenSco to be in first position..." DenSco went forward with the term sheet without such admissions.

As the scope of the double-liening problem appeared to grow (and as that problem was slowly revealed to Mr. Beauchamp), however, Mr. Chittick and Menaged agreed to terms of an expanded plan, which included further investment from both DenSco and Menaged. As, Mr. Beauchamp explained in a February 20, 2014 email to his colleagues, Mr. Chittick "without any additional documentation or any legal advice...has been reworking his loans and deferring interest payments to assist Borrower...When we became aware of this issue, we advised our client that he needs to have a Forbearance Agreement in place to evidence the forbearance and the additional protections he needs."

6.6. Mr. Beauchamp advises DenSco to enter into a forbearance agreement.

Mr. Beauchamp's advice regarding, and documentation of, a Forbearance Agreement, was an appropriate approach to provide a framework to resolve the problems with Menaged's loans. Mr. Chittick had already committed to elements of the plan before consulting with Mr. Beauchamp, but this is not unusual since parties often seek to reach a business accommodation before they begin to incur legal costs to document their plans. Forbearance

agreements are frequently used to resolve lender-borrower disputes, since they confirm facts and create legally enforceable obligations.

It is common for a lender to forbear from exercising its rights where the borrower presents the prospects of a bankruptcy filing, other default or even leaving the country to avoid payment. While an attorney may discuss other options with the client, it is not incumbent upon the attorney to impose his or her business judgment on the client, particularly a sophisticated client such as DenSco that had already put in place and started performing on a plan. In this context, the process of first preparing a term sheet to confirm the business terms already agreed, and provide the lawyer with terms to include in the Forbearance Agreement, was appropriate. It provided an opportunity to confirm the business understanding before the more expensive process of drafting the enforceable agreement began. Mr. Beauchamp provided appropriate advice regarding alternatives, Mr. Chittick as DenSco's due representative chose to pursue the Forbearance Agreement, and the use of the Forbearance Agreement was proper:

- DenSco needed to have a legally enforceable agreement so that it could plan its own business efforts based on the resolution of the Menaged issues;
- DenSco needed to be able to demonstrate to others, including its investors, that it had acted properly and prudently to resolve the Menaged issues;
- The agreement would memorialize the workout plan, set forth relevant facts, obtain admissions and warranties, set forth each party's obligations and establish consequences if the borrower failed to perform.

Although the negotiation was made long and painful because Mr. Menaged and his counsel sought terms that were outside of the normal bounds of a Forbearance Agreement, Mr. Beauchamp's efforts to finalize the agreement were consistent with his duties as counsel to DenSco and entirely appropriate. Moreover, it was reasonable for Mr. Beauchamp, given these circumstances, to expect that a Forbearance Agreement, and thus a plan for dealing with the issue, would be executed within a few weeks. I also believe it was appropriate for Mr.

Beauchamp to try and ascertain the facts and determine a course of action before a wholesale and meaningful disclosure to the investors could be made.

It was reasonable for Mr. Beauchamp to rely on Mr. Chittick's description of the timing and extent of the double liening and other issues with Menaged. The circumstances (which include a lengthy attorney-client relationship, a seemingly competent and reasonable client, a lack of negative information regarding Menaged as a result of Mr. Chittick's affirmative refusal to disclose such information, etc.) did not warrant Mr. Beauchamp disbelieving his own client. Nor did it warrant Mr. Beauchamp conducting due diligence that his client had not requested and did not want to pay for. Mr. Beauchamp inquired with Mr. Chittick as to Mr. Chittick's investigation of Menaged's business practices and the cousin/wife story. The client's representations regarding his due diligence and his belief in Menaged were sufficient. In any event, it would have been difficult for Mr. Beauchamp to ascertain the truth about Menaged. For example reviewing public documents would not have disproven the "cousin story" that Mr. Chittick provided to Mr. Beauchamp, nor could Mr. Beauchamp have reasonably learned about Menaged's wife's purported hospitalization or the existence of a cousin who had since fled the country. Inter-family business issues, theft, and fraud, are not unheard of problems that could plague a borrower. Under these circumstances, it is my opinion that it was reasonable for Mr. Beauchamp to accept Mr. Chittick's statements and to accept Mr. Chittick's business directions about how Mr. Chittick believed that DenSco could best protect its interests.

Further, Mr. Beauchamp's duty as lawyer for DenSco was to advise Mr. Chittick about the consequences of any proposed terms of the agreement. He could accept Mr. Chittick's direction about DenSco's risk appetite and business priorities. Mr. Beauchamp was not, as securities counsel, the person with final decision-making authority for DenSco. Mr. Beauchamp properly followed Mr. Chittick's instruction regarding the terms and conditions in the Forbearance Agreement even if Mr. Beauchamp had advocated for different terms, or even suggested different potential solutions or means of addressing the issue. This would include accepting the client's representations regarding the company's finances and the means and

sources of funding the workout. Here, Mr. Chittick represented that the workout was feasible and would be funded by Mr. Chittick personally and by Menaged.

It is important to remember that transactional lawyers are generally hired to assist clients with discrete matters. Unless asked (and given the budget) to do complete due diligence with respect to another party, the lawyer (a) ordinarily must rely on the information the client (and other parties) provide and act on that limited information and (b) no obligation to conduct due diligence on his/her own. If the lawyer knows of contradictory information he or she cannot ignore it, but he or she can bring it to the client's attention and rely upon the client's decision about whether to change positions based on the lawyer's information.

Mr. Beauchamp could not, and should not through due diligence, have second-guessed the information provided to him by Mr. Chittick about Menaged, how the double-lien issue came about, or Densco's choice to solve the problem by continuing to do business with Menaged. I understand that Mr. Beauchamp asked Mr. Chittick questions about the feasibility of his plan, DenSco's finances, the sources of the funds to be used in the workout, and DenSco's business relationship with Menaged. Mr. Beauchamp was not obligated to discount or ignore Mr. Chittick's responses given the information at hand, nor was Mr. Beauchamp obligated to conduct his own due diligence in the face of Mr. Chittick's representations.

Likewise, Mr. Beauchamp was not an accountant and was not retained to evaluate DenSco's finances or solvency. It was reasonable to rely on Mr. Chittick's decision that the best solution to the Menaged problems was the workout plan and that this was the most likely way to avoid greater financial problems. Mr. Chittick did not disclose the full magnitude of the problems immediately and Mr. Chittick did not provide Mr. Beauchamp with the financial information that would have allowed Mr. Beauchamp to assess those problems, even if such an assessment were his responsibility. It was reasonable for Mr. Beauchamp to rely on the representations from Mr. Chittick and Menaged that each would provide additional investments that would resolve the shortages created by Menaged's issues, and Mr. Beauchamp reasonably inquired as to the sources of those investments.

The fact that DenSco and Mr. Chittick withheld information from Mr. Beauchamp, or provided information in an untimely fashion, or misrepresented information, did not change Mr. Beauchamp's duty to DenSco. He had to advise DenSco about its legal duties and appropriate options given the information DenSco and Mr. Chittick provided. He could not ignore contrary information that came to his attention, but in this case the information available to him would not have affected his advice since, in any event, (a) Mr. Chittick had made an apparently reasonable business decision that DenSco would be better served by reaching a workout agreement rather than by litigation that would bear substantial costs and might lead to the bankruptcy of the other party (eliminating the hope for substantial recovery) and (b) Mr. Chittick had represented he was following Mr. Beauchamp's advice that he must disclose the situation before accepting new or rollover investments.

The Forbearance Agreement was not signed until April 2014. By that time, Mr. Chittick had already lent Menaged money, contrary to Mr. Beauchamp's advice to wait until the workout plan was properly documented in the Forbearance Agreement. For example, on January 31, 2014, Mr. Beauchamp wrote Mr. Chittick that "until you have the Forbearance Agreement and the other documents in place, you are not protected with respect to Scott OR your investors." Ten days earlier, on January 21, 2014, Mr. Beauchamp advised Mr. Chittick that "I am just very concerned about the payoffs getting so far ahead of the documentation... Under normal circumstances, [the Forbearance Agreement] should be finalized and signed before you advance all of this additional money."

6.7. Mr. Beauchamp tells DenSco it cannot accept new funds or roll over prior funds.

After receiving Mr. Chittick's January 7, 2014 email, I understand Mr. Beauchamp informed Mr. Chittick at the time of the initial meeting about the Menaged workout plan that Mr. Chittick could not accept new money, or roll over existing investments, unless he informed the investors involved about the Menaged issues. Given Mr. Beauchamp's history with Mr. Chittick, his communications with Mr. Chittick, and Mr. Chittick's knowledge and understanding

of DenSco's disclosure obligations (including the need to periodically disclose material information), this oral conversation was a reasonable way to communicate what needed to be done.

It was also reasonable for Mr. Beauchamp to accept Mr. Chittick's assurance that such disclosure was being made (or that Mr. Chittick was using personal funds, including funds raised through personal loans). Mr. Chittick had previously demonstrated a willingness to share information about serious problems with his investors throughout the real estate recession and it was reasonable for Mr. Beauchamp to believe that he was continuing that practice. With DenSco making such disclosures to investors investing or rolling over money, it was reasonable for Mr. Beauchamp to advise that the parties quickly document the workout in the Forbearance Agreement in order to allow a full and meaningful disclosure to all the investors.

As noted above, the rules for an offering to accredited investors do not require a specific method of disclosure to investors. Disclosures to investors do not need to be in writing and do not need to be made through a POM. So long as the disclosures were being made, the update to the POM was not urgent and it was reasonable to wait to update the POM until the Forbearance Agreement was complete. In this regard, Mr. Beauchamp's advice with respect to the confidentiality terms of the Forbearance agreement appropriately preserved for DenSco the ability to discuss the terms of the POM with its investors.

Evidence in the record suggests Mr. Chittick understood this advice. Mr. Chittick, however, did not disclose to Mr. Beauchamp that he was apparently raising funds from new investors and rolling over investments without disclosing DenSco's situation with Menaged.

6.8. Mr. Beauchamp Advised Mr. Chittick about his Fiduciary Duties to Investors

Throughout the process of preparing the Forbearance Agreement, and then the attempt to update the POM, Mr. Beauchamp advised Mr. Chittick that his discretion was constrained by DenSco's fiduciary duties to its investors. Mr. Beauchamp sought to include terms in the forbearance agreement that reflected those fiduciary duties and did not waive DenSco's rights against Menaged.

Further, it is my understanding that Mr. Chittick assured Mr. Beauchamp repeatedly that he was making the requisite disclosures to investors on an as-needed basis, and that he had informed a select group of investors as to the double lien issue and proposed workout. As far as Mr. Beauchamp knew, and as Mr. Chittick had previously told him, Mr. Chittick indeed had a select group of investors to whom he turned for advice and approval when confronted with important business decisions, such as, for example, diversifying his investments into different types of properties. Mr. Chittick told Mr. Beauchamp that he was seeking such advice from what Mr. Chittick described as an "advisory council." Mr. Beauchamp had observed Mr. Chittick doing the same thing with business problems arising from the real estate recession, so that it was reasonable for him to believe that Mr. Chittick was doing the same now.

6.9. Mr. Beauchamp terminates representation of DenSco and Mr. Chittick.

When Mr. Beauchamp agreed to represent DenSco with respect to Menaged, Mr. Beauchamp told Mr. Chittick that he would need to update DenSco's POM and make full disclosure to its investors regarding the double lien issues, the workout with Menaged, and the potential implications thereof for DenSco's finances and the investors' investments. Based on Mr. Beauchamp's testimony and the notes from his telephone conversations, Mr. Beauchamp and Mr. Chittick also routinely discussed the need for disclosures to investors with respect to, among other things, the double liening, loan concentration, and loan-to-value issues. Mr. Chittick was also a client who had discussed the need to make material disclosures to investors with Mr. Beauchamp on several prior occasions, including during scheduled updates for the DenSco POM, and who had decades of experience in financing, lending, and making securities disclosures. I understand that Mr. Chittick consistently acknowledged that responsibility and agreed to (a) make the full disclosure whenever he accepted new money or rolled over a note and (b) to amend the POM once the forbearance agreement was properly documented. Completion of the forbearance agreement took far longer than could reasonably be expected.

As the forbearance agreement neared completion, Mr. Beauchamp and his associate at the time, Daniel Schenk, began drafting the updated POM in April and May 2014. Critically, the draft 2014 POM would have: provided a description of the forbearance agreement (including all the parties' funding obligations), the reason it was necessary, and its effect on DenSco's finances; updated DenSco's goals for intended loan-to-value ratios; updated the descriptions regarding DenSco's loan funding procedures and system to secure its loans; updated the number of loan defaults triggering foreclosures; and amended the descriptions regarding DenSco's borrower base. Further, Mr. Beauchamp explained that the updated POM would need to be accompanied with a cover letter or other communication highlighting the major material changes, including the double lien issue and resulting workout agreement. Mr. Chittick, however, refused to complete the POM and refused to approve the description of the workout or the double lien issue, despite his prior acknowledgement that he would need to update the POM. Evidence, including emails between Mr. Chittick and Menaged, reveal that Mr. Chittick understood the need to make disclosures.

It is my understanding that in May 2014, Mr. Beauchamp informed Mr. Chittick that Mr. Beauchamp and Clark Hill could not and would not represent DenSco on securities matters any longer, given Mr. Chittick's refusal to make disclosures to investors. Mr. Beauchamp also told Mr. Chittick that he would need to retain new securities counsel, not only to provide the proper disclosure to DenSco's investors, but to protect DenSco's rights under the forbearance agreement. It is my understanding that Mr. Chittick suggested that he had already started that process and was speaking with someone else.

Mr. Beauchamp and Clark Hill ceased providing DenSco with securities advice. Mr. Chittick accepted this termination, but asked that Mr. Beauchamp clean up some small issues with the forbearance agreement before ending the relationship entirely. In my opinion, that clean-up work was appropriate notwithstanding the termination of the relationship given the duplication of effort and extra expense that would have been required to turn over these relatively small tasks to another lawyer.

In the spring of 2016 Mr. Chittick asked Mr. Beauchamp to assist with a limited issue involving an audit by the Arizona Department of Financial Institutions. In prior years, Mr. Beauchamp had advised DenSco whether it would be considered a mortgage broker by the ADFI, and thus, subject to ADFI licensing requirements. In 2016, Mr. Beauchamp again represented DenSco in that limited regard and provided advice as to whether DenSco was subject to ADFI licensure. Mr. Beauchamp again determined that DenSco was not subject to ADFI licensing requirements. The ADFI did not (and has never) contested that conclusion. In my opinion, it was not improper for Clark Hill to represent DenSco in this limited capacity, notwithstanding Mr. Beauchamp's termination of his representation of DenSco as securities counsel in 2014.

6.10. Mr. Beauchamp briefly helps Shawna Heuer and DenSco after Mr. Chittick's suicide

Mr. Beauchamp first found out that Mr. Chittick had committed suicide on July 30, 2016, when Shawna Heuer (Mr. Chittick's sister) called him while he was driving on State Route 51. The news was sufficiently overwhelming as to force him to pull over to the side of the road and collect himself. At that time, Mr. Beauchamp did not have knowledge as to DenSco's business practices or activities after Mr. Beauchamp fired DenSco for failing to make the requisite disclosures to its investors.

Mr. Beauchamp communicated with the Arizona Corporation Commission ("ACC") on August 3, 2016 and became actively involved to help with DenSco's wind-down since there were no other representatives of DenSco who could take any action. At Shawna Heuer's request Clark Hill undertook a limited representation to open an estate and arrange for the appointment of Ms. Heuer as the personal representative of Mr. Chittick's estate since Ms. Heuer had no other contacts in Arizona. During this brief time Mr. Beauchamp was helping Ms. Heuer identify a lawyer to take over this representation, so that it was clear that Clark Hill would not have any duties other than the administrative one of helping open the estate. Ms. Heuer was appointed on August 4, 2016. On August 10, 2016, Gammage & Burnham took over

representing her in that capacity. By August 18, 2016, the Receiver had been appointed over DenSco, at the Arizona Corporation Commission's request.

In the interim, however, DenSco had no employees, officers, or directors other than Mr. Chittick, and Ms. Heuer had no knowledge of DenSco's business, records, or hard money lending in general. DenSco had a letter agreement with another hard money lender, Robert Koehler, to step in and wind down DenSco's affairs in the event Mr. Chittick was incapable of doing so. Mr. Koehler declined to do so.

Given that DenSco needed to provide information to its investors and the ACC, Mr. Beauchamp briefly stepped in to gather information, maintain the status quo, provide information to the ACC, and provide updates to investors until someone else could be appointed. Those updates include (a) an August 3, 2016 email that Mr. Beauchamp sent to the investors alerting them to the situation involving Mr. Chittick's suicide and information then-known about the state of DenSco's finances, after receiving input from Ms. Heuer and Mr. Koehler, (b) an August 5, 2016 email summarizing the status of DenSco's loans, and (c) an August 12, 2016 email explaining his work on behalf of DenSco, which included responding to the Arizona Corporation Commission's subpoena, obtaining and reviewing DenSco's records, and preserving DenSco's rights with respect to the Menaged bankruptcy.

Mr. Beauchamp's conduct after Mr. Chittick's suicide, including helping Mr. Chittick's sister Shawna to get appointed P.R. of Chittick's Estate, communicating with investors and coordinating with the Arizona Corporation Commission was a reasonable effort to help resolve the problems Mr. Chittick had created for those involved in trying to clean up the business after his suicide.

7. Summary of Principal Opinions

My full opinions and conclusions are stated above in the discussion of the facts upon which this report is based. In brief summary, my principal opinions with respect to Mr.

Beauchamp's actions as a securities and transactional lawyer representing DenSco are as follows:

- Mr. Beauchamp's advice to DenSco that it should enter into a forbearance agreement with Menaged and his entities was appropriate and fully met the standard of care.
- Mr. Beauchamp's advice about the proper terms and scope of the forbearance agreement was consistent with ordinary practice in the area and fully met the standard of care.
- Mr. Beauchamp advice about lending, procedures, and documentation was consistent with ordinary practice in the area and met the standard of care.
- Mr. Beauchamp properly advised DenSco about nature, timing, and necessity of disclosures of material information to investors (including new and rollover investors) and his advice in this respect was consistent with the law and regulations and the met the standard of care.
- Mr. Beauchamp met the standard of care in advising DenSco about its fiduciary duties to its investors.
- Mr. Beauchamp properly performed unrelated legal work for DenSco even after he terminated his representation of DenSco with respect to securities matters, including the final work on the forbearance agreement and the later advice regarding Arizona Department of Financial Institution regulations. His work in this respect met the applicable standard of care.

Dated: March 5, 2019

Kevin Olson

Exhibit 14

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 6/14/2013 12:23:35 PM
To: Scott Menaged [smena98754@aol.com]
Subject: Re: Attorney

i'm going to keep him from running up any unessary bills, just talk to your guy and hadn it off ot him.
thx
dc

DenSco Investment Corp
www.denscoinvestment.com/
602-469-3001
602-532-7737 f

From: Scott Menaged <smena98754@aol.com>
To: Denny Chittick <dcmoney@yahoo.com>
Cc: David Beauchamp <David.Beauchamp@bryancave.com>
Sent: Friday, June 14, 2013 12:20 PM
Subject: Re: Attorney

David

Please bill me for your services and utilize my attorney for anything you may need

Thanks

Sent from my iPhone

On Jun 14, 2013, at 12:07 PM, Denny Chittick <dcmoney@yahoo.com> wrote:

David:
I have a borrower, to which i've done a ton of business with, million in loans and hundreds of loans for several years, he's getting sued along with me.

He bought a property at auction, was issued a trustee's deed, i put a loan on it. Evidently the trustee had already sold it before the auction and received money on it FREO Arizona, LLC.

Easy Investments, has his attorney working on it, i'm ok to piggy back with his attorney to fight it, Easy Investments willing to pay the legal fees to fight it. I just wanted you to be aware of it, and talk to his attorney. contact info is below.

thx
dc

DenSco Investment Corp
www.denscoinvestment.com/
602-469-3001
602-532-7737 f

----- Forwarded Message -----
From: Scott Menaged <smena98754@aol.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Friday, June 14, 2013 11:53 AM
Subject: Attorney

Denny,

Here is my attorneys info. If your attorney needs anything, just let me know!
Thanks

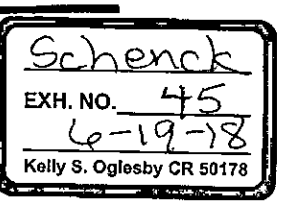
Jeffrey J. Goulder | Partner | Stinson Morrison Hecker LLP
1850 N. Central Avenue, Suite 2100 |Phoenix, AZ 85004-4584
T: 602.212.8531 | F: 602.586.5217 | M:602.999.4350
jgoulder@stinson.com | www.stinson.com

<Easy Investments Lawsuit.pdf>

Exhibit 15

DenSco Workout

Beauchamp, David G.



From: Denny Chittick <dcmoney@yahoo.com>
Sent: Thursday, January 16, 2014 2:50 PM
To: Beauchamp, David G.; Schenck, Daniel A.
Subject: Re: Revised Term Sheet

scott just texted me said he's willing ot sign it . if you are telling me it puts me in a bad situation, then we need to find middle ground to where i'm not in a weaker position and he's not in a position of admitting guilt.

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: "'dcmoney@yahoo.com'" <dcmoney@yahoo.com>; "Schenck, Daniel A." <DSchenck@ClarkHill.com>
Cc: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
Sent: Thursday, January 16, 2014 2:42 PM
Subject: Re: Revised Term Sheet

Denny:

What I am saying is that the whole consideration to DenSco (and protection to you) is for Scott to acknowledge he is in default. In exchange, DenSco agrees not to take certain actions and to provide funding to Borrowers to assist Borrower to resolve these disputes.

Please see email from Bob Miller that I will forward next. Without Scott's admission here, you are left on your own to deal with Miller's clients. You have given Scott so much and you only asked for this one thing. I think it is not in your legal best interest to agree to all of your commitments in this term sheet without getting this admission from Scott.

Best, David

David G. Beauchamp
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Thursday, January 16, 2014 02:26 PM
To: Schenck, Daniel A.
Cc: Beauchamp, David G.
Subject: Re: Revised Term Sheet

so are you telling me that the way this is worded now you wouldn't want me to sign it if Scott does?

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: "Schenck, Daniel A." <DSchenck@ClarkHill.com>
To: "dcmoney@yahoo.com" <dcmoney@yahoo.com>
Cc: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
Sent: Thursday, January 16, 2014 2:03 PM
Subject: Revised Term Sheet

Denny,

Attached is the revised Term Sheet with the changes that Scott requested and that David discussed with you. As requested, we revised the language so that the Borrower is not expressing its intent on which lender was supposed to be in first position. As David mentioned, we don't recommend that you accept these changes because it still leaves open the question of whether Scott intended for DenSco to be in the first position. Ideally, Scott would make the acknowledgment (which would be an admission of default should DenSco be determined to not be in first position), but Scott would be protected by the terms of the forbearance agreement. Please contact us should you have any questions regarding this issue.

Best,

Daniel A. Schenck
CLARK HILL PLC
480.684.1118 (direct) | 480.684.1179 (fax)
Licensed in Arizona, California, Utah and Nevada
dschenck@clarkhill.com | bio | www.clarkhill.com

-----Original Message-----

From: Beauchamp, David G.
Sent: Thursday, January 16, 2014 1:44 PM
To: Schenck, Daniel A.
Subject: Fw:

Dan:

Please

David G. Beauchamp
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

---- Original Message ----
From: Scott Menaged [mailto:smena98754@aol.com]
Sent: Thursday, January 16, 2014 01:06 PM
To: Beauchamp, David G.; Denny <dcmoney@yahoo.com>

Dave ,

Per Jeff I can sign the term sheet as long as par 1 and 3 are changed.

The verbage in both paragraphs need to change to state Densco believes he should be in first position. Not that I am saying he should be in first position or me stating who should be in what position.

Par 3 is the same thing, just a verbage issue. Both lenders believe they should be in first position. I can't sign something saying who is supposed to be in what position.

As long as this is agreed upon, please resend me the docs and I will execute today .

Confidentiality agreement is fine for me to sign as is.

Clearly we need to have an executed confidentiality agreement before providing the term sheet to them

Thanks

Scott

Sent from my iPhone

Exhibit 16

DenSco 2013 POM

Beauchamp, David

From: Denny Chittick [dcmoney@yahoo.com]
Sent: Friday, June 14, 2013 12:24 PM
To: Beauchamp, David
Subject: Re: Attorney

ok 1 sentence should suffice!

DenSco Investment Corp
www.denscoinvestment.com/
602-469-3001
602-532-7737 f

From: "Beauchamp, David" <David.Beauchamp@bryancave.com>
To: "'dcmoney@yahoo.com'" <dcmoney@yahoo.com>
Cc: "Beauchamp, David" <David.Beauchamp@bryancave.com>
Sent: Friday, June 14, 2013 12:21 PM
Subject: Re: Attorney

We will need to disclose this in POM.

Sorry, David

(Sent from my Blackberry wireless)
David G. Beauchamp, Esq.
Bryan Cave LLP
Two North Central Avenue, Suite 2200
Phoenix, Arizona 85004-4406

email: david.beauchamp@bryancave.com
(602) 364-7060 | Direct Tel.
(602) 716-8060 | Direct Fax
(602) 319-5602 | Mobile Tel.

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Friday, June 14, 2013 12:07 PM
To: Beauchamp, David
Cc: Yomtov Menaged <smena98754@aol.com>
Subject: Fw: Attorney

David:.

6/14/2013

I have a borrower, to ..ich i've done a ton o.. business with, million in loans and hundreds of loans for several years, he's getting sued along with me.

He bought a property at auction, was issued a trustee's deed, i put a loan on it. Evidently the trustee had already sold it before the auction and received money on it FREO Arizona, LLC.

Easy Investments, has his attorney working on it, i'm ok to piggy back with his attorney to fight it, Easy Investments willing to pay the legal fees to fight it. I just wanted you to be aware of it, and talk to his attorney. contact info is below.

thx
dc

DenSco Investment Corp
www.denscoinvestment.com/
602-469-3001
602-532-7737 f

----- Forwarded Message -----
From: Scott Menaged <smena98754@aol.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Friday, June 14, 2013 11:53 AM
Subject: Attorney

Denny,

Here is my attorneys info. If your attorney needs anything, just let me know!
Thanks

Jeffrey J. Goulder | Partner | Stinson Morrison Hecker LLP
1850 N. Central Avenue, Suite 2100 |Phoenix, AZ 85004-4584
T: 602.212.8531 | F: 602.586.5217 | M:602.999.4350
jgoulder@stinson.com | www.stinson.com

From: Denny Chittick
Sent: Fri 6/14/2013 7:28 PM (GMT-00:00)
To: Beauchamp, David
Cc:
Bcc:
Subject: Lili's law suit
Attachments: Lili law suit 7th Ave.pdf

This is another borrower, i've been working with since 2001.

She bought this property, there are 22k of back taxes, from what i can decipher from this document, they bought hte tax lien, she's going to pay the back taxes today or monday, so then this all goes away right?

i think it's funny his, dad or brother is his notary, which leads me to believe it's a one man show and lawsuit papermill.
thx
dc

DenSco Investment Corp
www.denscoinvestment.com/
602-469-3001
602-532-7737 f

ARIZONA CORPORATION COMMISSION

Date 06/05/2013

DENSCO INVESTMENT CORPORATION

6132 W VICTORIA PL
CHANDLER, AZ 85226-

Dear Sir or Madam:

Enclosed is a copy of the following document(s) that were served upon the Arizona Corporation Commission on 06/04/2013 as agent for DENSCO INVESTMENT CORPORATION:

Case caption: MACWCP II, LLC v. DENSCO INVESTMENT CORPORATION,
Case number: CV2013-092140 Court: MARICOPA COUNTY, SUPERIOR COURT

- ☒ Summons
- ☒ Complaint
- ☐ Subpoena
- ☐ Subpoena Duces Tecum
- ☐ Default Judgment
- ☐ Judgment
- ☐ Writ of Garnishment
- ☐ Motion For Summary Judgment
- ☐ Motion for
- ☒ Other CERTIFICATE OF COMPULSORY ARBITRATION

Sincerely,

Lynda B. Griffin
Custodian of Records

Initials PTG
File number 0987468-4

RecOS.doc
Rev 10/09

ARIZONA CORPORATION COMMISSION

CERTIFICATION OF SERVICE ACCEPTED AND OF MAILING

Date: 06/05/2013

I, Peter Graham am an employee of the Arizona Corporation Commission ("ACC").

I hereby certify that on the 4TH day of JUNE, 2013, I accepted on behalf of the ACC service of the following documents upon the ACC as agent for DENSCO INVESTMENT CORPORATION.

Case caption: MACWCP II, LLC v. DENSCO INVESTMENT CORPORATION,

Case number: CV2013-092140

Court: MARICOPA COUNTY , SUPERIOR COURT

☒	Summons	☐	Default Judgment
☒	Complaint	☐	Judgment
☐	Subpoena	☐	Writ of Garnishment
☐	Subpoena Duces Tecum		
☐	Motion for Summary Judgment		
☐	Motion for		
☒	Other CERTIFICATE OF COMPULSORY ARBITRATION		

I declare and certify under penalty of perjury that the foregoing is true and correct.

Executed on this date: 06/05/2013

(Signature)_____

ARIZONA CORPORATION COMMISSION

I, Peter Graham, am an employee of the Arizona Corporation Commission ("ACC").

I hereby certify that on the 5TH day of JUNE, 2013, I placed a copy of the above listed documents in the United States Mail, postage prepaid, addressed to

DENSCO INVESTMENT CORPORATION

at its last known place of business as follows:

6132 W VICTORIA PL
CHANDLER , AZ 85226-

OR

I hereby certify that I was unable to mail the above listed documents to

because that entity is not a registered corporation or limited liability company in the State of Arizona, and the Arizona Corporation Commission has no record of its known place of business.

I declare and certify under penalty of perjury that the foregoing is true and correct.

Executed on this date: 06/05/2013

(Signature)_____

KESSLER LAW OFFICES
Eric W. Kessler, SBN 009158
240 North Center Street
Mesa, Arizona 85201
(480) 644-9047
(480) 644-0095 FAX
eric@kesslerlaw.phxcoxmail.com

Attorney for Plaintiff

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

MACWCP II, LLC, a limited liability company, Plaintiff, vs. LILI RUBIN INVESTMENT PROPERTIES, LLC, a limited liability company; DENSCO INVESTMENT CORPORATION, a corporation; JOHN DOE and JANE DOE; ABC CORPORATION; ALL UNKNOWN HEIRS OF ABOVE, Defendants.	No. CV2013-092140 SUMMONS If you would like legal advice from a lawyer, contact the Lawyer Referral Service at 602-257-4434 or www.maricopalawyers.org Sponsored by the Maricopa County Bar Association

IN THE NAME OF THE STATE OF ARIZONA:

TO: All Defendants named above.

GREETINGS:

YOU ARE HEREBY SUMMONED and required to appear and defend in the above-entitled action brought against you by the above-named Plaintiff, in the County of Maricopa, State of Arizona, and answer to the Complaint filed in said Court at 222 E. Javelina, Mesa, AZ 85210, within twenty (20) days if served personally within the State

of Arizona, or thirty (30) days after completion of service outside of Arizona or by publication. You are notified that in case you fail to appear, Judgment by default will be rendered against you for the relief demanded in the complaint. Plaintiff's attorney is: Eric W. Kessler, 240 N. Center St., Mesa, AZ 85201. (480) 644-0093.

GIVEN UNDER MY HAND THIS DATE: _____

COPY

MAY 28 2013

MICHAEL K. JEANES, CLERK
M. GARCIA
DEPUTY CLERK

Deputy Court Clerk

KESSLER LAW OFFICES
Eric W. Kessler, SBN 009158
240 North Center Street
Mesa, Arizona 85201
(480) 644-9047
(480) 644-0095 FAX
eric@kesslerlaw.phxcoxmail.com

Attorney for Plaintiff

COPY

MAY 28 2013

MICHAEL K. JEANES, CLERK
M. GARCIA
DEPUTY CLERK

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

MACWCP II, LLC, a limited liability company, Plaintiff, vs. LILI RUBIN INVESTMENT PROPERTIES, LLC, a limited liability company; DENSCO INVESTMENT CORPORATION, a corporation; JOHN DOE and JANE DOE; ABC CORPORATION; ALL UNKNOWN HEIRS OF ABOVE, Defendants.	No. CV2013-092140 COMPLAINT

COMES NOW the Plaintiff, through counsel undersigned, and for its Complaint, alleges as follows:

I.

That the properties set forth herein are in Maricopa County; that Defendants are individuals, partnerships, corporations, associations or other entities as shown in the caption of this Complaint and reside in or have caused an event to occur herein; that JOHN DOE, JANE DOE and ABC CORPORATION are fictitious names designating an

individual or other legal entity unknown to Plaintiff, and whose true name(s) Plaintiff will insert herein by amendment upon discovery thereof; that Defendants make some claim to the subject real property adverse to Plaintiff's claim, and that this Court has jurisdiction over these parties and the subject matter herein.

II.

That in order to pay for delinquent taxes legally levied and assessed against the property, together with interest, penalties and charges thereon, the Maricopa County Treasurer sold a lien on the property known as Maricopa County tax parcel 158-29-046 in February of 2010 and that the original of said Certificate of Purchase was sold to Plaintiff herein.

III.

That the sale referred to in paragraph II above was valid and the taxes due and owing on the property were delinquent at the time of said sale.

IV.

That the whole amount of all delinquent taxes, interest, penalties and charges legally due and owing on the property were paid to the Maricopa County Treasurer upon a Certificate of Purchase, the amounts being endorsed thereon; that more than three years have elapsed since the date of sale set forth above, and none of the property has been redeemed therefrom. Plaintiff is thus entitled to foreclose the rights of Defendants to redeem the property from said sale. Plaintiff is now the owner of the lien on the property, subject only to the rights of Defendants to redeem the property and to pay Plaintiff's costs and attorney's fees pursuant to A.R.S. §42-18206.

V.

Plaintiff has complied will all notice requirements set forth in A.R.S. §42-18201, et seq.

1. That if Defendants, or any of them, redeem the property, the Court shall render Judgment ordering payment by the redeeming party to Plaintiff for costs incurred for title search, filing and recording fees, service of process fees and all other costs incurred herein, together with a reasonable attorney's fee pursuant to A.R.S. §42-18208; OR

2. That the Court declare that the sale of the lien, the Certificate of Purchase issued pursuant thereto, and the service of process on all Defendants are valid; that at the sale of the lien, the taxes thereon were delinquent; that more than three years have elapsed since the sale of the lien and the commencement of this action; that the rights of Defendant to redeem the property from said sale are forever foreclosed; and that Defendants are barred forever from having or claiming any right or title adverse to Plaintiff herein, Plaintiff further prays to be adjudged the owner in fee simple of the whole of the property; that the title to said property be quieted in favor of Plaintiff; and that the Maricopa County Treasurer be commanded to execute and deliver forthwith to Plaintiff a deed conveying the property to Plaintiff, in accordance with Title 42, Arizona Revised Statutes.

DATED THIS DATE: 6.27.13

Eric W. Kessler
Attorney for Plaintiff

STATE OF ARIZONA)
) ss.
County of Maricopa)

Undersigned counsel, upon his oath, deposes and says that he is the attorney for Plaintiff herein and is authorized to make this verification on behalf of Plaintiff; that he has read the foregoing Complaint and knows the contents thereof; and that the same are true and correct to the best of his knowledge, information and belief.

Eric W. Kessler
Attorney for Plaintiff

Subscribed and sworn to before me this May 27, 2013, by ERIC W. KESSLER.

Notary Public

My Commission Expires:

_____

CRAIG KESSLER
Notary Public - Arizona
[illegible] County
[illegible] Expires Oct 13, 2016

KESSLER LAW OFFICES
Eric W. Kessler, SBN 009158
240 North Center Street
Mesa, Arizona 85201
(480) 644-9047
(480) 644-0095 FAX
eric@kesslerlaw.phxcoxmail.com

Attorney for Plaintiff

COPY

MAY 28 2013

COURT SEAL

MICHAEL K. JEANES, CLERK
M. GARCIA
DEPUTY CLERK

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

MACWCP II, LLC, a limited liability company, Plaintiff, vs. LILI RUBIN INVESTMENT PROPERTIES, LLC, a limited liability company; DENSCO INVESTMENT CORPORATION, a corporation; Defendants.	CV2013-092140 No. CERTIFICATE OF COMPULSORY ARBITRATION

Undersigned counsel hereby certifies that the largest award sought by Plaintiff, excluding punitive damages, costs and attorney's fees does not exceed the limits for compulsory arbitration. However, this action concerns title to real property and therefore is not subject to arbitration.

DATED THIS DATE: 5.27.13

ERIC W. KESSLER
Attorney for Plaintiff

From: Denny Chittick
Sent: Fri 6/14/2013 7:37 PM (GMT-00:00)
To: Beauchamp, David
Cc:
Bcc:
Subject: Re: Lili's law suit

ok no problem.
haven't been sued in all these years, now two the same day i get back from vacation!

DenSco Investment Corp
www.denscoinvestment.com/
602-469-3001
602-532-7737 f

From: "Beauchamp, David" <David.Beauchamp@bryancave.com>
To: "dcmoney@yahoo.com" <dcmoney@yahoo.com>
Cc: "Beauchamp, David" <David.Beauchamp@bryancave.com>
Sent: Friday, June 14, 2013 12:34 PM
Subject: Re: Lili's law suit

Denny:

I am at a seminar this afternoon, but I will read it and get back to you.

Thanks, David

(Sent from my Blackberry wireless)
David G. Beauchamp, Esq.
Bryan Cave LLP
Two North Central Avenue, Suite 2200
Phoenix, Arizona 85004-4406

email: david.beauchamp@bryancave.com
(602) 364-7060 | Direct Tel.
(602) 716-8060 | Direct Fax
(602) 319-5602 | Mobile Tel.

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Friday, June 14, 2013 12:28 PM
To: Beauchamp, David
Subject: Lili's law suit

This is another borrower, i've been working with since 2001.

She bought this property, there are 22k of back taxes, from what i can decipher from this document, they bought hte tax lien, she's going to pay the back taxes today or monday, so then this all goes away right?

i think it's funny his, dad or brother is his notary, which leads me to believe it's a one man show and lawsuit papermill.
thx
dc

DenSco Investment Corp
www.denscoinvestment.com/
602-469-3001
602-532-7737 f

From: Denny Chittick
Sent: Fri 6/14/2013 8:43 PM (GMT-00:00)
To: Beauchamp, David
Cc:
Bcc:
Subject: Lili's suit

don't worry about that one, it was what i thought tax lien, she paid it today, so it will go away.
thx
dc

DenSco Investment Corp
www.denscoinvestment.com/
602-469-3001
602-532-7737 f

From: Beauchamp, David
Sent: Fri 6/14/2013 11:45 PM (GMT-00:00)
To: 'Denny Chittick'
Cc:
Bcc:
Subject: RE: MACWCP vs. Lil Rubin Investments

Denny:

Sounds good.

Best, David
David G. Beauchamp, Esq.
Bryan Cave LLP
Two North Central Avenue, Suite 2200
Phoenix, Arizona 85004-4406

email: david.beauchamp@bryancave.com
(602) 364-7060 | Direct Tel.
(602) 716-8060 | Direct Fax
(602) 319-5602 | Mobile Tel.

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Friday, June 14, 2013 4:38 PM
To: Beauchamp, David
Subject: Fw: MACWCP vs. Lil Rubin Investments

all taken care of.
thx
dc

DenSco Investment Corp
www.denscoinvestment.com/
602-469-3001
602-532-7737 f

----- Forwarded Message -----
From: "lstoianova@cox.net" <lstoianova@cox.net>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Friday, June 14, 2013 3:42 PM
Subject: Fw: MACWCP vs. Lil Rubin Investments

Sent from my BlackBerry® smartphone, powered by Cricket.

From: Craig Kessler <craig.kesslerlaw@gmail.com>
Date: Fri, 14 Jun 2013 15:04:35 -0700
To: <lstoianova@cox.net>
Subject: MACWCP vs. Lil Rubin Investments

Lili,
Attached is a payoff statement for the above referenced case.

--
Craig Kessler
Legal Assistant
Kessler Law Offices
(480) 644 0093

Exhibit 17

Michael K. Jeanes, Clerk of Court
*** Electronically Filed ***
12/17/2013 8:00 AM

SUPERIOR COURT OF ARIZONA
MARICOPA COUNTY

CV 2013-007663 12/06/2013

HON. SALLY SCHNEIDER DUNCAN

CLERK OF THE COURT
J. Kiraly/C. Castro
Deputy

FREO ARIZONA L L C

RICHARD L COBB

v.

EASY INVESTMENTS L L C, et al.

STEFAN M PALYS

BRADFORD E KLEIN
KIM R LEPORE

MINUTE ENTRY

Courtroom 702 - Central Court Building

9:57 a.m. This is the time set for oral Argument on summary judgment. Plaintiff Freo Arizona, LLC is represented by counsel, Joseph J. Glenn. Defendants Easy Investment, LLC and Active Funding Group, LLC are represented by counsel, Stefan M. Palys and Jeffrey J. Goulder. Defendant Ocwen Loan Servicing, LLC is represented by counsel, Kim R. Lepore.

Court Reporter, Robin Bobbie, is present and a record of the proceedings is also made by audio and/or videotape.

Arguments are presented on Plaintiff's Motion for Partial Summary Judgment, filed on July 11, 2013, and Defendants Easy Investments, LLC and Active Funding Group, LLC's Cross-Motion for Summary Judgment against Freo Arizona, LLC, filed on September 4, 2013.

For the reasons stated on the record,

THE COURT FINDS that A.R.S. §33-811(C) operates to prevent Plaintiff Freo Arizona, LLC from reviving defenses when it failed to timely seek an injunction. Accordingly,

IT IS ORDERED denying Plaintiff's Motion for Partial Summary Judgment.

IT IS FURTHER ORDERED granting Defendants Easy Investments, LLC and Active Funding Group, LLC's Cross-Motion for Summary Judgment against Freo Arizona, LLC.

Arguments are presented on Defendants Easy Investments, LLC and Active Funding Group, LLC's Motion for Partial Summary Judgment Against Ocwen Loan Servicing, LLC, filed on September 4, 2013.

For the reasons set forth on the record,

THE COURT FINDS that Defendant Ocwen Loan Servicing, LLC had a duty and breached that duty. Accordingly,

IT IS ORDERED granting Defendants Easy Investments, LLC and Active Funding Group, LLC's Motion for Partial Summary Judgment Against Ocwen Loan Servicing, LLC, filed on September 4, 2013, on liability under the tort of another doctrine and denying the Motion as to damages.

IT IS FURTHER ORDERED denying Defendants Active Funding Group, LLC's Motion for Partial Summary Judgment, filed on November 8, 2013.

IT IS FURTHER ORDERED that counsel shall submit a form of Judgment for the Court's consideration and signature by **December 13, 2013**.

IT IS FURTHER ORDERED as follows:

Counsel and/or the parties shall meet in person to discuss all of the matters set forth in Ariz. R. Civ. P. Rule 16(b). Counsel and/or the parties shall prepare and file with the Court, no later than **5:00 p.m. on December 20, 2013,** a Joint Proposed Scheduling Order, for discovery, motion and disclosure deadlines.

If the parties agree to the dates, they should prepare an Order **in the form attached hereto**, containing the provisions which are applicable to their case.

The Joint Proposed Scheduling Order shall include specific dates ("June 5, 2012", rather than "45 days prior to trial"). Please do not incorporate a firm trial date in the proposed Order. This Court will set a firm trial date only after discovery has been completed and the parties have in good faith participated in a mediation or settlement conference.

If counsel and/or the parties are unable to agree on any of the items that are to be included in the Order, the reasons for their inability to agree shall be set forth in their proposed Order.

Once the initial Joint Pretrial Scheduling Memorandum is submitted, the Court will review the Proposed Scheduling Order and schedule a telephonic pretrial status/scheduling conference (via separate minute entry). **At the telephonic pretrial status/scheduling conference, if the parties have completed discovery and are ready for trial, the Court will set a firm date for the Final Trial Management Conference and trial.** If the parties are not ready for trial, the matter may be placed on the Court's calendar for dismissal.

If, at any time, the parties believe a telephonic or in-person pretrial conference is necessary or warranted, they should address the reasons in the Joint Proposed Scheduling Order.

Notice Regarding Substantive Motions: The Court will not accept omnibus motions, responses and replies. All motions, responses and replies shall be filed on individual claims and counts separately. Counsel shall not combine any motion with a responsive pleading. If omnibus motions are filed, the Court reserves the right to reject the motions. No motion shall exceed the page limitation without prior Court approval.

If a Joint Proposed Scheduling Order is not timely submitted as ordered, the Court will place the matter on the Court's calendar for dismissal.

IT IS ORDERED if a **Notice of Settlement** is filed the Court will dismiss the case with prejudice within thirty (30) days from the receipt of the Notice of Settlement.

IT IS FURTHER ORDERED if there is a pending status conference scheduled with the Court, and the parties have settled the case, the parties must file a **Motion to Vacate Telephonic Pretrial Status/Scheduling Conference** within three (3) business days prior to the Court appearance or, in the alternative, shall be prepared to place a Rule 80(d) Agreement on the record.

10:33 a.m. Matter concludes.

ALERT: The Arizona Supreme Court Administrative Order 2011-140 directs the Clerk's Office not to accept paper filings from attorneys in civil cases. Civil cases must still be initiated on paper; however, subsequent documents must be eFiled through AZTurboCourt unless an exception defined in the Administrative Order applies.

SUPERIOR COURT OF ARIZONA
MARICOPA COUNTY

CV 2013-007663 12/06/2013

PROPOSED SCHEDULING ORDER
Ariz. R. Civ. P. Rule 16(b)

The Court having received the parties Joint Pretrial Scheduling Memorandum,

IT IS ORDERED entering the following schedule for disclosure as set forth unless the parties obtain written modifications by the Court:

1. The parties shall mutually and simultaneously disclose areas of expert testimony by 5:00 p.m. on _____. **[OR]**

    a. Plaintiffs shall disclose areas of expert testimony by 5:00 p.m. on _____.

    b. Defendants shall disclose areas of expert testimony by 5:00 p.m. on _____.

2. The parties shall mutually and simultaneously disclose the identity and opinions of their expert witnesses by 5:00 p.m. _____. **[OR]**

    a. Plaintiffs shall disclose the identity and opinions of their expert witnesses by 5:00 p.m. on _____.

    b. Defendants shall disclose the identity and opinions of their expert witnesses by 5:00 p.m. on _____.

3. Any and all discovery requests shall be served by 5:00 p.m. on _____.

4. The parties shall disclose all non-expert testimony by 5:00 p.m. on _____. **[OR]**

    a. Plaintiffs shall disclose areas of non-expert testimony by 5:00 p.m. on _____.

    b. Defendants shall disclose areas of non-expert testimony by 5:00 p.m. on _____.

5. The parties shall mutually and simultaneously disclose their rebuttal expert witnesses and opinions by 5:00 p.m. on _____.

6. All discovery shall be completed by 5:00 p.m. on _____.

7. The parties shall have exchanged up-to-date final Rule 26.1 Supplemental Disclosure Statements by 5:00 p.m. on _____. This Order does not replace the parties' obligation to seasonably disclose on an on-going basis under Rule 26.1 as information becomes available.

8. The parties shall file dispositive motions no later than 5:00 p.m. on _____.

9. Settlement conference (**choose one**):

   The parties shall participate in private mediation by **(120 days out)**.

   [OR]

   IT IS ORDERED the parties shall participate in a Settlement Conference. This case is referred to the Court's Office of Alternative Dispute Resolution for the appointment of a Judge Pro Tempore to conduct a Settlement Conference. Counsel and/or the parties will receive a minute entry from ADR appointing the Judge Pro Tempore. Counsel and any "pro per" parties will contact the appointed Judge Pro Tempore to arrange the date, time and location for the Settlement Conference. The Judge Pro Tempore is requested to conduct a Settlement Conference no later than **(120 days out)**. The Office of Alternative Dispute Resolution will not do the scheduling of the Settlement Conference so please do not contact that office.

   If counsel prefer to use a private mediator to conduct the Settlement Conference, a **Stipulation and Order re: Alternative to ADR** must be presented to the Court no later than 5:00 p.m. on **(90 days out).**

   All counsel and their clients, non-lawyer representatives and insurance adjusters who have full and complete authority to settle the case, shall personally appear at the settlement conference and participate in good faith even if no settlement is expected. Sanctions may be imposed for failure to participate.

10. No expert witnesses, expert opinions, lay witnesses, or exhibits shall be used at trial other than those disclosed in a timely manner, except for good cause shown or written agreement of the parties.

11. Should any discovery disputes arise, counsel, prior to filing discovery motions, shall meet and confer pursuant to Rule 37, Ariz. R. Civ. P.

12. The dates set forth in this Order are FIRM dates and will not be extended or modified absent good cause. Lack of preparation will not ordinarily be considered good cause.

13. This case is removed from the Inactive Calendar and all requirements of Rule 38.1, Ariz. R. Civ. P., are waived unless and until otherwise ordered by the Court.

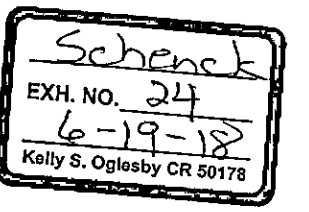
14. A **Telephonic Pretrial Status/Scheduling Conference** is set for **_____, at _____ a.m./p.m.** for the purpose of setting a trial date if the case has not settled. Time allotted: 15 minutes. Counsel shall have their trial calendars available. Counsel for Plaintiff shall initiate the conference call by first arranging the presence of all other counsel on the conference call and by calling this division at: **(602)506-9042** promptly at the scheduled time. The call should be placed from a land-line telephone in an area with no background noise as this will prevent the parties from hearing the proceedings in the courtroom. The call may not be placed from a vehicle**. Please do not call from a cellular telephone**.

NOTE: This Court utilizes FTR for an electronic record of the proceedings. However, any party may request the presence of a court reporter by contacting the division three (3) court business days before the scheduled hearing.

Dated: _____

_____
HON. SALLY SCHNEIDER DUNCAN
JUDICIAL OFFICER OF THE SUPERIOR COURT

Exhibit 18



Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 12/18/2013 10:11:43 AM
To: Beauchamp, David G. [dbeauchamp@clarkhill.com]
Subject: few things

1. since you moved, we've never finished the update on the memorandum. Warren is asking where it is.
2. i've got two of my best borrowers moving to Fl, they are begging me to look at lending in FL. i don't know anything about the market there, but i trust these guys. i've done 20 million with them over the past 5 yrs. is it easy to find out the challenges, issues, etc with me lending there?

thx
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

Exhibit 19

Stringer, Lindsay L.

From:	Beauchamp, David G.
Sent:	Thursday, January 09, 2014 9:21 AM
To:	Stringer, Lindsay L.
Subject:	Fw: the details
Attachments:	RM Easy Investments.doc; DOT Easy Investments.doc; Note Easy Investment.doc; HUD Pratt 90k.pdf

Please print this for me and reserve a conf room from 10 to noon today with a whiteboard.

Thanks

David G. Beauchamp
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Tuesday, January 07, 2014 01:49 PM
To: Beauchamp, David G.
Cc: Yomtov Menaged <smena98754@aol.com>
Subject: the details

I thought i would give you something to read so that you are up to date and you can have questions for us when we arrive. i'm bringing Scott with me.

I've been lending to Scott Menaged through a few different LLC's and his name since 2007. i've lent him 50 million dollars and i have never had a problem with payment or issue that hasn't been resolved.

Sometime last year, his wife became ill with cancer. his cousin was working with him and took on a stronger day to day role as scott was distracted with his wife. Scott always was the one that determined what properties to buy, how much etc. his cousin was doing paperwork, checks and management of the day to day. At some point his cousin decided to take advantage of our relationship and started to steal money. Scott would request a loan from me, his

cousin would request a loan from another borrower (i would say there are as many as 1/2 dozen different lenders in total) . Because of our long term relationship, when Scott needed money, i would wire the money to his account and he would pay the trustee. I do this same thing with several borrowers and bidding co's. As an example, He would buy a property at auction for 100k, it's worth 145k, he would ask me for 80k. i would wire it to him, he would pay the trustee with my 80k and his 20k and he would sign the RM, which i've attached (all docs you have reviewed and have been reveiwed by a guy at your last law firm, maybe two firms ago in 2007). i've attached them. i would record the RM the day he paid for the property. then once the trustee's deed was recorded, which during the last few years has been at times 6 weeks from the auction date to the recorded date, i then would record my DOT. this is a practice that i have done for 14 years. it's recognized by all the escrow co's. Some title agents won't see anything before the trustee's deed recording as a valid lien, some look at the whole chain. for me to be covered, i would record the RM to muddy up title then record the DOT after the trustee's deed to ensure my first position lien. when the loan is paid off, i always send a release for both liens. when i say that some title officers request it and some don't , it seems to matter of opinion rather than a hard and fast law/requirement/demand/ or something of that nature. Again, this is what i do on every single auction property no matter who is the borrower.

What is cousin was doing was receiving the funds from me, then requesting them from the other lenders. these other lenders would cut a cashiers check for the agreed upon loan amount and then take it to the trustee and receive the receipt. they would then record a DOT immediately, then after the trustee's deed is recorded, they would re-record their DOT. Sometimes i would record my RM first sometimes they would. then after the trustee's deed, sometimes i would record my DOT first sometimes they would.

The cousin absconded with the funds. Scott figured this out in mid November. He came to me and told me what was happening. he said he had talked to the other lenders and they agreed that this was a mess, and as long as they got their interest and were being paid off they wouldn't foreclose, sue or anything else.

Scott and i spent a great amount of time creating a plan to fix this. Our plan is simple, sell off the properties and pay off both liens with interest and make everyone whole. Because many of the houses were bought in the first half of last year. they are upside down, but not nearly as bad as you would think. if Scott paid 100k, i lent 80k and another lender lent 80k. the house is now worth 140k, it's upside down 20k. However there are some houses that are more upside down than this. Coming up with the short fall on all these houses is a challenge , but we believe it's doable. our plan is a combination of injecting capital and extending cheaper money, along with continuing the business as he's run it for years, by flipping homes which will generate profits.

The Plan:
1. all lenders will be paid their interest, except me, i'm allowing my interest to accrue.
2. i'm extending him a million dollars against a home at 3%
3. he is bringing in 4-5 million dollars over the next 120 days from liquidating some assets as well as getting some money back that the cousin stole, and other sources.
4. he's got a majority of these houses rented, this brings in a lot of money every month.
5. the houses that he's buying now and will be flipping will bring in money every week starting next week or two.
6. as the houses become vacant either because of ending the lease or the tenant leaves, scott will fix up the house and sell it retail. this will drive the order in which the houses will be sold.

7. he also owns dozens of houses that only have one lien on them and have substantial equity in them, and he'll be selling these as the tenants vacate.

i've been over this plan 100 times and the numbers and i truly believe this is the right avenue to fix the problem. we have been proceeding with this plan since November and we've already cleared up about 10% of the total $'s in question. that's in the slowest part of the selling season. We feel once things pick up seasonally we can speed this up

the gentleman that handed me the paperwork, believes because he physically paid the trustee that he is in first position, but agrees it's messy. he wants me to subordinate to him, no matter who recorded first. we have paid off one of his loans, you'll see on this list Pratt - paid in full, i've attached the hud-1 and you see that it shows me in first position versus his belief. now that's one title agents opinion, i understand that's not settling legal dispute on who's in first or second.

I know that i can't sign the subordination because that goes against everything that i tell my investors. plus i can tell you there are several other lenders waiting to see what i do, if i sign with this group, they want to have me sign one for them too.

What we need is an agreement that as long as the other lenders are being paid their interest and payoffs continue to come, (we have 12 more houses in escrow currently, all planned to close in the next 30 days) , that no one initiates foreclosure for obvious reasons, which will give us time to execute our plan.

let me know any questions so that when we meet we can be productive as possible.
thx

dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

Exhibit 20

DenSco (Managed

Lender

Mtg w/ Denny Chiffick & Scott Managed (1/9/14)

→ put cousin in charge
→ eliminated about 10% in last 45 days → through liquidation
& another 12 are in escrow (3 or 4 should be the plaintiffs)
→ happened to about 100 to 125 properties

— what happened to the money?

— will pursue something w/ his cousin → but trying to determine where the money has gone

→ Plan
— to pay off other lenders through
— Denny to raise coverage & loan amount from 75% to 90%
— other investors to help Scott to come up w/ the balance

→ strategically pick the properties
→ some are leased & are tied up for

→ Dan, Craig & Lon → they came to DC (& met w/)
— most of their properties
— supposedly they are in touch w/ other lenders

→ pushing to get
— they are getting paid current

- 60 total properties (approx $6 MM)
  - of guys from Bob Miller's letter + the other leader that they are talking to

Jeff Goulder → atty for Scott

- Chris Hyman → directed deals to different leaders (Broker)

- Greg Reichman – Active Funding
  - ↳ Scott met up w him → if there is a subordination agmt, Greg wants to be protected → if none, he is OK – understands the plan
  - ↳ partner Jodie Angel (atty)
    - ↳ (he)

Plan (rent)

- 90 days

- What does Denny need to do to get the full time

Exhibit 21

DenSco / Workout

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Tuesday, January 21, 2014 1:57 PM
To: Denny Chittick
Subject: RE: update

Denny:

If I knew the attorney that they are now using, I could try to confirm the timing. If you or Scott talk to Dan or the others, please try to get a name.

I understand the fine line that you are taking. I am just very concerned about the payoffs getting so far ahead of the documentation. I have authorized the preparation of the Forbearance Agreement and the related documents. Under normal circumstances, this should be finalized and signed before you advance all of this additional money. We plan to get the documents to you and Scott later this week. Hopefully, we can get the documents signed later this week.

Best, David

David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Tuesday, January 21, 2014 1:50 PM
To: Beauchamp, David G.
Subject: Re: update

we talked about that, she can run title for me and just tell me that i'm clear, she's also working with us to get the payoffs so we'll see how it works out, i understand the risk. i'm trying to walk a fine line between doing it right and doing it quickly! i know how to do it right, i just don't know how fast i have to do it to keep them at bey. i can do 2 million this week, which will cut it in 1/2 , with payoffs coming in through the end of the month, i should be able to have them completely paid off with in another 2 weeks , knocking some off a little at a time, i just dont' know if they'll give us that time...

DenSco Investment Corp
www.denscoinvestment.com

602-469-3001 C
602-532-7737 f

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Tuesday, January 21, 2014 1:42 PM
Subject: RE: update

Denny:

If you do this outside escrow, you will probably not be eligible for title insurance. Under the circumstances, title insurance would be good to have to deal with the lien issues. You might want to ask Debbie what procedure you could use to expedite the pay-offs and still have her company be able to issue title insurance.

Would it make sense to split up the payoffs of these loans into two or three different escrows and title agencies?

Best, David

David G. Beauchamp

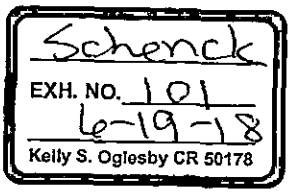
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Tuesday, January 21, 2014 12:42 PM
To: Beauchamp, David G.
Subject: update

we are going to pay off 6 tomorrow, title can't work fast enough, the earliest we can do more through title is friday based on what debbie is saying. we may need to get payoff directly from them and just exchange checks and releases outside of title.
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

Exhibit 22



Beauchamp, David G.

From:	Schenck, Daniel A.
Sent:	Wednesday, May 14, 2014 7:56 PM
To:	Beauchamp, David G.
Subject:	DenSco POM
Attachments:	#200743069v1_ClarkHill_ - Private Offering Memorandum 2014.doc; Private Offering Memorandum 2011 - Private Offering Memorandum 2014.pdf

David,

Attached is the latest draft for the POM for DenSco. The Word version includes several comments that request information/confirmation from Denny. A few of the comments are for your attention. These include "DGB" at the beginning of the comment. The attached redline does not show any of the comments.

Also, I highlighted the Table of Contents to serve as a reminder to double check the pagination once the POM is complete.

Please let me know what changes you prefer before this draft is sent to Denny.

Best,

Daniel A. Schenck

CLARK HILL PLC
480.684.1118 (direct) | 480.684.1179 (fax)
Licensed in Arizona, California, Utah and Nevada
dschenck@clarkhill.com | bio | www.clarkhill.com

Confidential Private Offering Memorandum

DenSco Investment Corporation

May ___, 2014

No: _____ Name of Payee: _____ _____

Confidential Private Offering Memorandum

DenSco Investment Corporation

General Obligations Notes

Minimum Purchase $50,000

The General Obligation Notes (the "Notes") are general obligations of DenSco Investment Corporation, an Arizona corporation (the "Company"). The Notes, together with all other outstanding notes and all other advances or liabilities owed by the Company to any holder of an outstanding note will be secured by a general pledge of all assets owned by or later acquired by the Company The Company's largest assets will be the Trust Deeds, as defined herein, acquired by the Company and the Notes will be superior in priority and liquidation preference to Notes subscribed for by officers and shareholders of the Company. Interest will be paid monthly, quarterly or at maturity. The Notes are not insured or guaranteed by any state or federal government entity or any insurance company, and the Company will not establish a sinking fund for the Notes. The Company generally may transfer, sell or substitute collateral for the Notes. The Company may modify the interest rate to be paid on subsequently issued Notes. The Company may adjust the interest paid to subsequently offered Notes and on the Notes offered hereby with 30 days' written notice (" Interest Adjustment Notice"). For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note. The Company will use good faith efforts to prepay Notes upon receipt of written request, but the Company will not be obligated to do so. The Notes may be redeemed by the Company prior to maturity upon notice at a price equal to the principal amount of the Notes plus accrued interest to the date of redemption. See "Description of Securities – Note Terms." Default may occur with respect to

Comment [A1]: Can DenSco can adjust the interest of the Notes?

Comment [A2]: Note: Giving the Noteholder an option when there is an Interest Adjustment Notice makes the unilateral interest adjustment more enforceable. Also, because it may not always be feasible to prepay a Note when a Noteholder objects to an interest adjustment, we did not obligate the Company to prepay the Note within a certain time frame. By leaving the interest rate unchanged when there is an objection (demonstrated by requesting prepayment), there is technically no penalty to the Noteholder for making the objection. In reality, the motivation to accept an interest adjustment will not be to avoid a penalty but to avoid an early prepayment that would end the investment opportunity. A court is much more likely to enforce this scenario than a penalty for not accepting a unilateral interest adjustment.

Comment [A3]: Is this still accurate?

one Note and not another. The Notes may be purchased directly from the Company without commission. The Company intends to offer the Notes on a continuous basis until the earlier of (a) the sale of the maximum offering, or (b) two years from the date of this memorandum; provided, however, the Company reserves the right to amend, modify and/or terminate this offering if the Company changes its operations or method of offering in any material respect. See "Description of Securities" and "Plan of Distribution."

Comment [A4]: DGB: what is the maximum duration we can use here?

THE NOTES ARE SPECULATIVE AND INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS."

THE NOTES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR APPLICABLE STATE SECURITIES LAWS, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE REGULATORY AUTHORITY REVIEWED, APPROVED OR DISAPPROVED THE ACCURACY OR ADEQUACY OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM OR ENDORSED THE MERITS OF THE PLACEMENT OF NOTES. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE NOTES ARE OFFERED PURSUANT TO EXEMPTIONS PROVIDED BY SECTION 4(2) OF THE ACT, REGULATION D THEREUNDER, CERTAIN STATE SECURITIES LAWS AND CERTAIN RULES AND REGULATIONS PROMULGATED PURSUANT THERETO. THE NOTES MAY NOT BE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.

	Offering Price (1)	Underwriting Commissions (2)	Proceeds to the Company (3)
Note	$50,000	-0-	$50,000
Offering Maximum	$50,000,000	-0-	$49,975,000

(1) The Notes are offered in $50,000 initial investment with additional increments with a minimum of at least $10,000. All subscriptions for Notes are subject to review and acceptance by the Company.

(2) The Company's President, Denny J. Chittick, is making the private placement of the Notes on behalf of the Company. Mr. Chittick will not receive any sales commission in connection with the placement of the Notes. The Company reserves the right to pay costs and commission to a licensed broker-dealer with an approved custodian to facilitate procedures by investors using qualified funds (i.e., IRA, SEP IRA, ROTH IRA and KEOGH Plans), up to one percent (1%) of the principal Note amount.

(3) Offering expenses, estimated at $25,000, will be paid from the Company's general operating funds.

Comment [A5]: Is this still accurate?

DenSco Investment Corporation
6132 W. Victoria Place
Chandler, Arizona 85226
(c) 602-469-3001
(f) 602-532-7737

THE NOTES ARE OFFERED ONLY TO PERSONS WHO ARE: (1) "ACCREDITED INVESTORS" WITHIN THE MEANING OF RULE 501(a) OF REGULATION D PROMULGATED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAW; (2) ABLE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES, INCLUDING A LOSS OF THE ENTIRE INVESTMENT; AND (3) SUFFICIENTLY KNOWLEDGEABLE AND EXPERIENCED IN FINANCIAL AND BUSINESS MATTERS TO BE ABLE TO EVALUATE THE MERITS AND RISKS OF AN INVESTMENT IN THE NOTES EITHER ALONE OR WITH A PURCHASER REPRESENTATIVE. SEE "INVESTOR SUITABILITY." THE NOTES ARE NOT OFFERED AND WILL NOT BE SOLD TO ANY PROSPECTIVE INVESTOR UNLESS SUCH INVESTOR HAS ESTABLISHED, TO THE SATISFACTION OF DENNY J. CHITTICK, THAT THE INVESTOR MEETS ALL OF THE FOREGOING CRITERIA. EACH INVESTOR MUST ACQUIRE THE NOTES FOR HIS, HER OR ITS OWN ACCOUNT, FOR INVESTMENT PURPOSES ONLY, AND WITHOUT ANY INTENTION OF DISTRIBUTING OR RESELLING ANY OF THE NOTES, EITHER IN WHOLE OR IN PART.

THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO ANYONE IN ANY JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED. IN ADDITION, THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE PERSON WHOSE IDENTITY APPEARS IN THE APPROPRIATE SPACE PROVIDED ON THE COVER PAGE HEREOF. THE RIGHT TO PURCHASE NOTES AS DESCRIBED HEREIN IS NOT ASSIGNABLE.

TO ENSURE COMPLIANCE WITH CIRCULAR 230 GOVERNING STANDARDS OF PRACTICE BEFORE THE INTERNAL REVENUE SERVICE, POTENTIAL INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY A POTENTIAL INVESTOR, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A POTENTIAL INVESTOR UNDER THE INTERNAL REVENUE CODE; (B) SUCH

DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES OFFERED HEREBY; AND (C) POTENTIAL INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

CERTAIN "REPORTABLE TRANSACTIONS" REQUIRE THAT PARTICIPANTS AND CERTAIN OTHER PERSONS FILE DISCLOSURE STATEMENTS WITH THE IRS, AND IMPOSE SIGNIFICANT PENALTIES FOR THE FAILURE TO DO SO. AN INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF THE INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF AN INVESTMENT IN THE NOTES AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE, EXCEPT TO THE EXTENT THAT SUCH DISCLOSURE IS RESTRICTED BY APPLICABLE SECURITIES LAWS.

THE OBLIGATIONS AND REPRESENTATIONS OF THE PARTIES TO THIS TRANSACTION WILL BE SET FORTH ONLY IN THE DOCUMENTS DESCRIBED HEREIN. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS CONCERNING THE COMPANY OTHER THAN AS CONTAINED IN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THE DELIVERY OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM DOES NOT IMPLY THAT THE INFORMATION SET FORTH IN IT IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF CERTAIN INVESTORS TO WHOM IT HAS BEEN DIRECTED. A PROSPECTIVE INVESTOR, BY ACCEPTING DELIVERY OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, AGREES TO

RETURN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM AND ALL ENCLOSED DOCUMENTS TO THE COMPANY IF THE HOLDER DOES NOT UNDERTAKE TO PURCHASE ANY OF THE NOTES OFFERED HEREBY.

PRIOR TO THE SALE OF ANY NOTES OFFERED HEREBY, THE COMPANY WILL MAKE AVAILABLE TO EACH INVESTOR THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM MR. CHITTICK CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING AND TO OBTAIN ADDITIONAL INFORMATION NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED HEREIN, TO THE EXTENT THE COMPANY OR MR. CHITTICK POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

ANY REPRODUCTION OR DISTRIBUTION OF THE CONFIDENTIAL PRIVATE OFFERING MEMORANDUM IN WHOLE OR IN PART, OR THE DISCLOSURE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF MR. CHITTICK IS STRICTLY PROHIBITED.

REFERENCE IS MADE TO THE SUBSCRIPTION AGREEMENT AND SUITABILITY QUESTIONNAIRE ATTACHED HERETO FOR COMPLETE INFORMATION CONCERNING THE RIGHTS AND OBLIGATIONS OF INVESTORS WHO PURCHASE THE NOTES OFFERED HEREBY. CERTAIN PROVISIONS OF AGREEMENTS AND DOCUMENTS ARE SUMMARIZED IN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, AND THE SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE DETAILED INFORMATION OR AGREEMENT OR DOCUMENT APPEARING ELSEWHERE. IN CASE OF A CONFLICT BETWEEN THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM AND SUCH AGREEMENTS OR DOCUMENTS, THE AGREEMENT OR DOCUMENT, AS THE CASE MAY BE, SHALL GOVERN. REFERENCE IS MADE HEREBY TO THE COMPLETE TEXT OF ALL DOCUMENTS RELATING TO THIS PLACEMENT THAT ARE DESCRIBED HEREIN. A COPY OF ALL DOCUMENTS AND AGREEMENTS SO DESCRIBED BUT NOT INCLUDED HEREIN WILL BE MADE

AVAILABLE TO A PROSPECTIVE INVESTOR AND ITS COUNSEL, ACCOUNTANT AND ADVISER(S) UPON REQUEST.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE COMPANY OR MR. CHITTICK OR THEIR AFFILIATES AS LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN COUNSEL, ACCOUNTANT AND OTHER ADVISERS AS TO TAX MATTERS AND RELATED MATTERS CONCERNING AN INVESTMENT IN THE COMPANY'S NOTES.

NOTWITHSTANDING ANYTHING CONTAINED IN THIS CONFIDENTIAL OFFERING MEMORANDUM TO THE CONTRARY, EXCEPT AS REASONABLY NECESSARY TO COMPLY WITH APPLICABLE SECURITIES LAWS, INVESTORS (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF THE INVESTORS) MAY NOT DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME TAX TREATMENT AND TAX STRUCTURE OF THIS OFFERING AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTORS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. FOR THIS PURPOSE, "TAX STRUCTURE" IS LIMITED TO FACTS RELEVANT TO THE U.S. FEDERAL INCOME TAX TREATMENT OF THIS OFFERING AND DOES NOT INCLUDE INFORMATION RELATING TO THE IDENTITY OF THE ISSUER, ITS AFFILIATES, AGENTS OR ADVISORS.

TABLE OF CONTENTS

MEMORANDUM SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by the more detailed information appearing elsewhere in this Confidential Private Offering Memorandum.

The Company

DenSco Investment Corporation, an Arizona corporation (the "Company"), is an Arizona corporation, which has been in operation since April, 2001. In the thirteen years of operation from April, 2001 through April, 2014, the Company has engaged in [redacted] loan transactions. The Company has been and will continue to be engaged primarily in the business of making high-interest loans with defined loan-to-value ratios to residential property remodelers ("Foreclosure Specialists") who purchase houses through pre-foreclosure process and foreclosure sales, all of which are secured by real estate deeds of trust ("Trust Deeds") recorded against Arizona residential properties, but the Company will not limit its efforts to this niche. In connection with its business, the Company will seek to maintain a diversity of builders, loan size, back-office commercial properties, medical offices, strip commercial centers, high-end specialty and custom residential properties and construction locations. The Company does not intend to exceed a maximum loan size of $1,000,000.00. The Company intends to maintain a loan-to-value ratio below 70% in the aggregate for all loans in the loan portfolio.

Comment [A1]: How many loans in 13 year period. According to July 2014 POM, the Company did 2622 loans from April 2001 to June 2014.

The Company's office is currently located at 6132 W Victoria Place, Chandler, Arizona 85226. Its current telephone number is 602-469-3001.

The Offering

Securities: As of May _____, 2014, the Company has offered and secured the first $____ _____ in principal amount of Notes. Of these Notes, $_____ of principal has been prepaid. The Company is offering the balance of $_____ _____ in principal amount of Notes on a "best efforts" basis. The interest rates of the Notes will vary and will depend on the

denomination of the Note and the term selected by the investor. The Notes are offered in denominations ranging from $50,000 to $1,000,000.00, increasing in additional increments with a minimum of $10,000. The Notes are paid "interest only" during their terms, with principal payable only at maturity. Investors may elect to have interest paid monthly, quarterly or at maturity. If interest is paid other than monthly, interest will compound monthly. The Notes are not transferable without obtaining the prior written consent of the Company. The Notes are general obligations of the Company and are not directly secured by any specific asset of the Company. At any particular point in time, the assets of the Company will consist primarily of Trust Deeds in an aggregate principal amount approximately equal to the amount of the outstanding Notes. See "Use of Proceeds" and "Description of Securities."

Restricted Nature of Securities: The Notes are not registered and are restricted securities. This is a private placement intended to be exempt from the registration requirements under federal and applicable state securities laws, and may only be made personally by a principal of the Company to a qualified investor who intends to hold the investment to maturity. See "Description of Securities."

Risk Factors: An investment in the Notes involves a significant degree of risk. Only investors who can bear the economic risk of such an investment should purchase the Notes. See "Risk Factors" and "Investor Suitability."

Use of Proceeds: The proceeds of the offering will be used as working capital primarily for lending secured by, and the purchase of, Trust Deeds within the guidelines set by the Company. See "Use of Proceeds" and "Business."

Plan of Distribution: Notes may be purchased directly from the Company without commission. The Company intends to make a continuous offering of the Notes until the earlier of two years from the date of this memorandum or upon the sale of the maximum offering of $50 million; provided, however, the Company reserves the right to amend, modify or terminate this offering if the Company changes its operations or method of offering in any material respect. See "Description of Securities" and "Plan of Distribution."

BUSINESS

The Company was incorporated in Arizona on April 30, 2001 and is engaged primarily in the business of funding Foreclosure Specialists, who purchase houses through the preforeclosure process, and at foreclosure sales and through a sale of REO properties (Real Estate Owned by a financial institution after a foreclosure) or short sale transactions.

Target Markets and Potential Future Markets

The Company will target the funding and purchasing of Trust Deeds to qualified purchasers of foreclosed homes and qualified builders of Arizona commercial and residential projects. The primary focus is to lend money to qualified borrowers who can fulfill their loan obligation on highly marketable real properties with sufficient equity. When purchasing Trust Deeds, the Company intends to consider Trust Deeds that the loan–to–value ratio does not exceed 70 percent (70%) and the current yield is 18 percent (18%) or greater. Most of these purchased loans will have short-term maturities (less than one year), and under certain circumstances, Company may charge a higher interest rate or pass through additional costs incurred on short-term loans. Most Trust Deeds will range in size from $25,000 to $500,000, and the largest loan size is not intended to exceed $1,000,000. Each loan will be secured by its underlying real property (or in rare instances, separate real properties) as well as by personal property involved in the construction projects and personal guaranties (as determined on a case by case basis). The loans are written to be repaid in six months and all loans are structured to require monthly interest payments. A majority of the loans are paid back within three months; however, some loans are allowed to be extended on a case by case basis.

For lending to Foreclosure Specialists who purchase foreclosed homes prior to or at the foreclosure sale, the Company will target remodelers, contractors and other entities engaged in this niche real estate market, but the Company will not limit its efforts to this niche. The Company intends to have these Trust Deeds have loan-to-value ratios no greater than 70 percent, but with an objective goal of 50 percent to 60 percent. The Company anticipates that the minimum loan size will continue to be $25,000, and the maximum loan size will continue to be

Comment [A7]: Is this accurate?

$1,000,000. The values of these homes are determined to be based on the value to which they will appraise at or sell for on the retail market.

For lending on commercial projects, the Company will target established, reputable contractors and developers who are developing back-office commercial properties, medical and other professional offices, strip and pre-sold commercial centers, multi-unit apartment complexes, build-outs and high-end specialty projects on Arizona land they own or have rights to purchase. The Company intends to have these Trust Deeds have loan-to-value ratios, no greater than 65 percent but with an objective goal of 50 percent to 60 percent. The maximum loan size is intended to be $1,000,000, with subordinated participation from other lenders for larger projects, which will probably obligate the Company to act on behalf of the other participating lenders. The Company intends to directly (through an officer or employee) or indirectly (through a real estate consultant) perform due diligence to verify certain information in connection with funding a Trust Deed. The loan-to-value ratio is determined by calculating the reasonable market value of the property at the end of the construction project.

Comment [A1]: Is this still accurate?

For residential loans, the Company will seek reputable, licensed contractors who have pre-sold homes to build for qualified buyers. The Company also plans to finance builders' models, builders' "spec" homes and those projects that are highly marketable and have substantial builder equity Most of these borrowers may qualify for conventional bank financing but they may use the Company because of the faster financing, competitive over all costs, better service and personal relationships with Mr Chittick. The Company will not lend to natural persons for personal, family or household purposes.

The Company may elect to participate as an equity partner in some projects should the benefits warrant the risk. From time to time, a default occurs on a loan and the Company needs to conduct a Trustee's Sale or accept a Deed In Lieu of Foreclosure on the real property securing a loan. As such, if the Trustee conducting the Trustee's Sale does not receive a bid in excess of the Company's credit bid (in the amount of the loan, accrued interest and costs) at the Trustee's Sale, the Company becomes the owner of the subject real property. The Company intends to sell such properties as quickly as possible in an effort to minimize resulting costs and losses, and to maintain a diversified financing operation. However, the Company reserves the right to lease

any property obtained through a Trustee's Sale or a Deed in Lieu of Foreclosure until the Company determines that the property can be sold at a sufficient price. The Company may diversify its financing operations in the future to include other areas of finance. The Company does not anticipate entering any non-Arizona market without first attempting to contact the significant Note holders and discussing this market with them.

Comment [A9]: Is this accurate?

Cash Flow

The Company uses a proprietary cash flow-management model for balancing the terms of the Trust Deeds the Company makes to its borrowers with the terms of the Notes purchased by the Company's investors. The Company's objective is to have sufficient cash coming in from Trust Deed payoffs to be able to redeem all Notes as they come due and maintain reserves without any need to sell assets or issue new Notes to repay the earlier maturing Notes. See "Risk Factors - Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes."

Limited Due Diligence

To the extent Trust Deeds are purchased, Trust Deeds will be purchased through a network of consultants, mortgage brokers and title companies that the Company believes are reliable referral sources. Prior to purchasing a Trust Deed or funding a direct loan, the Company intends to have an officer, employee or an authorized representative conduct a due diligence review by interviewing its owner, verifying the documentation and performing limited credit investigations as are deemed appropriate by the Company, which may include visiting the subject property in a timely manner. For purchases of foreclosed homes, the Company intends to have an officer, employee or an authorized representative inspect the properties after purchase, before or during rehabilitation and after rehabilitation to ensure the property is improved to a marketable condition. The Company will not make residential loans to natural persons for personal, family or household purposes.

Comment [A10]: Does DimSco intend to inspect foreclosure auction homes? If so, at what stage (after purchase, during rehab, after rehab)?

Funding and Purchase of Loans

The Company reserves the right to approve or decline the funding of each direct loan or the purchase of each Trust Deed submitted for purchase. The Company intends to follow certain practices and procedures when it funds or purchases a Trust Deed, including without limitation,

Comment [A11]: Please provide a summary of the Company's procedures regarding how it funds (i.e., who the funds are issued to and in what amount), and how it perfects its liens (i.e., preparation of Trust Deed, execution of Trust Deed, and recording of Trust Deed).

Collections

The Company services the contracts it purchases and originates. If a customer misses a payment without making satisfactory arrangement prior to the due date, the Company's policy is to contact the customer within three to five days and watch the account closely until the payment or satisfactory arrangement has been made. At the discretion of the Company, the Company's normal documents provide that a late charge of ten percent of the interest amount due is to be assessed on a delinquent payment that is not cured within five days. If payment on a Trust Deed is thirty (30) days delinquent, an accelerated default rate goes into effect and foreclosure proceedings may begin under the Deed of Trust; provided, however, the Company may elect not to begin foreclosure proceedings if the property secured by the loan is under contract for sale or is in the process of being refinanced. The goal of the Company is to recover the principal of a loan and any interest and or any late fees assessed. If the borrower is unable in a timely manner to sell or refinance the subject property, the Company may request that the borrower execute a Deed in Lieu of Foreclosure (a "Deed in Lieu") to the Company so that the Company will gain immediate control of the subject property rather then going through the ninety (90) day process and expense associated with a Trustee's Sale. Upon the Company gaining control of the property through a Deed in Lieu or a Trustee's Sale, the Company will decide either to market the subject property at retail, which may require additional monies to improve the property to retail ready condition, or to wholesale the subject property "as is." The Company may also decide to rent the subject property as an investment property. If applicable, the management of the rental properties will be maintained by a professional management company chosen by the Company.

Comment [A12]: Is this still accurate?

Regulation

The financing of construction loans and other types of real estate transactions are regulated by various federal and state government agencies, including the Arizona Department of Financial Institutions. Arizona Revised Statues §§ 6-901 to 910, §§ 6-941 to 948 and 6-971 to 985, and regulations issued thereunder, have specific mortgage broker and mortgage banker licensing and operating requirements. The Company's management believes that it is not required to be licensed by the Arizona Department of Financial Institutions as a mortgage broker or a mortgage banker nor under certain federal laws, such as Truth-In-Lending Act or the Real Estate Settlement Procedures Act. The Company intends to take the necessary steps to ensure that the borrowers it lends to and the projects covered by such loans will not fall within the requirements imposed by the foregoing agency and acts.

The Company will not receive any points, commissions, bonuses, referral fees, loan origination fees or other similar fees in connection with its real estate loans. The Company will only receive periodic interest resulting from the application of the note rate of interest to the outstanding principal balance remaining unpaid from time to time. By limiting its compensation in this manner, the Company's management believes it does not need a license from the Arizona Department of Financial Institutions as either a mortgage loan broker or mortgage banker; provided, however, the Company reserves the right to work with and to pay a reasonable and customary mortgage broker fee to a licensed mortgage loan broker or mortgage banker for services in connection with its loans or to other third-party professionals in connection with due diligence for its loans.

Certain federal laws and regulations, such as the Truth-in-Lending Act, Real Estate Settlement Procedures Act and others contain specific requirements for lenders seeking to make loans to certain types of borrowers, which may or may not be secured by certain types of residential real property. Most of these statutes and regulations apply to transactions only if the loans are made to natural persons for personal, family or household purposes. The Company will not lend to natural persons for these purposes.

If new regulations are issued by the U.S. Federal Housing Administration (the "FHA") or if a more strict interpretation of the current FHA regulations is implemented in the future, such regulations could reduce the demand for the Company's loans from Foreclosure Specialists which could impair the Company's ability to keep all of the proceeds from this offering fully invested in loans with borrowers.

Other states in the Western United States have instituted additional restrictions concerning loans secured by private real estate, which are commonly referred to as "predatory mortgage lending laws." Although Arizona has not passed a similar statute, such provisions may come into effect in Arizona either through law or regulation during this offering. The Company's management believes that its practices will not need to change in order to comply with any of the current proposals if they should go into effect. However, there can be no assurance that such will be the case.

The Company's management believes that it is not required to register or be licensed as an investment adviser with the State of Arizona or with the U.S. Securities Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940 (the "Advisers Act"), as amended. The Advisers Act and the analogous Arizona law generally require all persons that are engaged in the business of providing investment advice for compensation to register with the SEC or Arizona provided that such adviser is not exempt from registration. The Company's management believes that it is not engaged in the business of providing investment advice for compensation, and as such, is not required to register as an "investment adviser" with either the SEC and/or the State of Arizona. In addition, even if the Company were deemed to be engaged in the business of providing investment advice for compensation, the Company anticipates that it would be exempt from registration under the Adviser Act due to the "private fund adviser exemption" (*See* 17 C.F.R. § 275.203(m)-1) as the Company manages less than $150 million in assets and would likely be deemed a "qualifying private fund"[1] because it has fewer than the threshold number of clients that would trigger registration with the SEC and/or the State of Arizona.

[1] *See* Exemptions for Advisers to Venture Capital Funds, Private Fund Advisers with Less Than $150 Million in Assets Under Management, and Foreign Private Advisers, Advisers Act Rel. No. 3222, 76-80 (June 22, 2011), available at http://www.sec.gov/rules/final/2011/ia-3222.pdf (clarification provided regarding how real estate funds may meet the definition of "qualifying private fund").

Diversity of Risk

The Company will attempt to maintain a diverse portfolio of Trust Deeds and loans by seeking a large borrowing base, participating in several local markets, acquiring Trust Deeds for any lending into residential and commercial projects, establishing loan-to-value guidelines and limiting financing to short terms. Currently, the Company's base of borrowers exceed 150 approved and qualified borrowers. It is the Company's plan that the base of borrowers eventually will exceed 250 qualified contractors and foreclosure specialists. The Company will maintain loans throughout the Phoenix metropolitan area to reduce its risk to fluctuations in values and conditions in markets within the metropolitan area. The Company also believes that it can reduce risk by participation in various types of financing: Trust Deeds on foreclosed properties, residential Trust Deeds and lending from $50,000 tract homes and condominiums to $1,000,000 custom "spec" homes; and commercial investments for flex-office, back-office, medical/general office and retail. In addition, the Company intends to maintain general loan-to-value guidelines that currently range from 50 percent to 65 percent (but it is intended not to exceed 70%), to help protect the Company's portfolio of loans. Further, all loans are intended to be relatively short term.

Comment [A13]: Is this still accurate?

Comment [A14]: Is this still accurate?

Because of these varying degrees of diversification, the relatively short duration of each of the loans, and management's knowledge of the Phoenix metropolitan area market, the Company's management anticipates that it will not experience a significant amount of losses; however, there can be no assurance that the Company will not experience such losses. Mr. Chittick, individually, has made or participated in approximately 2800 loans secured by real estate over the last fourteen (14) years. As of the date of this Memorandum, Mr. Chittick and the Company have collectively experienced 44 loan defaults that required initiating a Trustee's sale process, with seven of such loans being settled prior to the Trustee Sale auction. Various borrowers have conveyed seven properties to the Company pursuant to a Deed in Lieu. To the extent the Company deems necessary, the Company intends to use the services of outside real estate lending consultants to assist in evaluating any loan or the security for the loan to reduce the risk of a loss of principal due to the default of a real estate loan by a borrower and the resulting foreclosure upon the security for the loan.

Comment [A15]: ? Do you wish to update the # of loans and the length of years? In 2011, you had 2800 over the last 14 years. In 2014, you likely have much more.

Comment [A15]: ? Do you have updated figures for the # of loan defaults requiring initiating a Trustee's sale and the # that settled prior to the auction?

The Company will make available to each prospective investor, prior to the consummation of the offering and sale of a Note to such investor and such investor's representative and advisers, the opportunity to ask questions and receive answers concerning the terms and conditions of this offering and to obtain any additional information that the Company may possess or may be able to obtain without unreasonable effort or expense, and which may be necessary to verify the accuracy of the information furnished to such prospective investor.

Executive Offices

The Company's office is currently located at 6132 W. Victoria Place, Chandler, Arizona 85226. Its current telephone number is 602-469-3001.

RISK FACTORS

An investment in the Notes offered by the Company involves a significant degree of risk. The securities offered hereby should not be purchased by anyone who cannot tolerate significant risk, including the possibility of losing their total investment in the Notes. In analyzing a possible investment in the Notes, prospective investors should consider carefully the following factors, together with the information contained elsewhere in this Memorandum.

Operating History

In the Company's thirteen year operating history through April, 2014, the Company has completed in excess of ___ loan transactions. However, even with these number of loans over thirteen years, the evaluation of prior company performance set forth in Prior Performance is limited in time. Accordingly, there can be no assurance that the Company will be able to continue to operate and achieve these results on a going-forward basis, which could limit the Company's ability to repay the Notes as planned.

Comment [A17]: How many loans has the Company completed through April, 2014? As of June 2013, the Company had completed 2822.

Competition

The Company is engaged in a highly competitive industry. The Company competes with banks, savings and loan institutions, credit unions, mortgage brokers, finance companies and other private investors that are established in the finance business. Competition in the finance business is based upon the lowest overall loan cost, which consists of interest rates, fees, closing costs, document fees, reputation, and availability of funds and the length of time it takes to approve a loan. The cost of funds to many of our competitors is typically lower than the Company's, allowing them to compete for borrowers on better terms, such as interest rates, which is a significant component of loan cost. The competition usually has lower costs on longer-term loans. The Company's higher cost of capital and lending rates may result, in part, in the Company acquiring Trust Deeds and lending to borrowers who are unable to obtain financing from these larger competitors. In some cases, these types of borrowers have weaker credit worthiness than other borrowers, which could expose the Company to a greater risk of

nonpayment of its loans by borrowers. See "Business-Target Markets and Potential Future Markets."

Ability to Generate Sufficient Cash Flow to Service the Outstanding Notes

The Company's ability to generate cash in amounts sufficient to pay interest on the Notes and to repay or otherwise refinance the Notes as they mature depends upon the Company's receipt of payments due under the loans that are in the Company's portfolio. The Company's financial performance and cash flow depends upon prevailing economic conditions and certain financial, business and other factors that are beyond the Company's control. These factors include, among others, economic and competitive conditions, particularly in areas in which the borrowers operate their businesses, and general economic conditions that affect the financial strength of developers and real estate investors in the areas that the Company intends to make investments. In recent years the decline of real estate values has been the largest challenge facing the real estate finance industry. This development is something new to the industry that typically sees a slow rising in values of properties or at least a stability of prices. The dramatic and prolonged decrease in values has forced the Company to change how it operates, which is requiring monthly interest payments under its loans rather then allowing the interest to compound. The Company has also shortened the maturity of loans to borrowers in some cases and is only extending the loans to a few borrowers under strict conditions. Accordingly, an investment in the Notes offered hereby involves substantial risk and Notes should not be purchased by anyone who cannot tolerate substantial risk, including the possibility of losing their total investment in the Notes. There can be no assurance that the Company will be able to continue to operate and repay the Notes as planned.

Decrease in Value of Collateral for the Loans in Company's Portfolio

The Company is responsible for collecting payments from loan obligors and for foreclosing under an applicable Trust Deed in the event of default by an obligor. If the Company is forced to conduct a Trustee's Sale to obtain ownership and possession of a property securing a loan, the value of the property may have decreased between the time that the outstanding loan

was initially made to the time of repossession pursuant to a Deed in Lieu or a Trustee's Sale. Consequently, the Company's sale of such property may result in a loss as a result of the amount owed to the Company being in excess of the value received by the Company pursuant to a subsequent sale of the property. Accordingly, an investment in the Notes offered hereby involves substantial risk and Notes should not be purchased by anyone who cannot tolerate substantial risk, including the possibility of losing their total investment in the Notes. There can be no assurance that the Company will be able to continue to operate and repay the Notes as planned.

Expansion of Real Estate Loan Base

After giving effect to this offering and the application of the net proceeds, the Company will have significant outstanding indebtedness. The Company's ability to make scheduled principal and interest payments on the Notes will depend upon the Company's ability to generate adequate revenues from its real estate lending operations. The Company has historically received approximately 18% effective interest on its real estate loans but minimal interest on its cash accounts at its bank. Therefore, in order to pay the principal and interest due on the Notes, the Company will need to loan a significant amount of its capital to its real estate loan borrowers and reloan any repayment proceeds in a timely manner. As the Company receives the proceeds from this offering, the Company intends to expand its real estate loan base in order to keep its capital loaned to its real estate loan borrowers as opposed to being in its cash accounts at the bank. If the Company cannot continue to expand its real estate loan base, it may not generate enough revenues to service its debt obligations, including the Notes. Accordingly, the Company will continue to rely upon repeat borrowers, word of mouth referrals and the referral network of outside mortgage brokers and consultants that Mr. Chittick has developed. See "Business-Target Markets and Potential Future Markets."

Comment [A18]: Is that correct?

Demand for Real Estate Loans

The Company's success depends, in part, upon its ability to continue to develop and achieve growth in its real estate lending operations and to manage this growth effectively. In

formulating and implementing its business plan, the Company relied on the judgment of its officer and consultants, and on their research and collective experience to determine customers, marketing strategy and procedure. The Company has not planned, conducted or contracted for any independent market studies concerning the anticipated demand for the Company's real estate lending services. Although the Company has reviewed general reports concerning the number of houses being built, houses for sale, jobs created and people relocating to Metropolitan Phoenix, the Company has not reviewed any specific analysis concerning the demand for its niche in real estate lending. Although Mr. Chittick and the Company have developed a network of qualified borrowers and referral sources of current borrowers and escrow officers, there can be no assurance that there will continue to be sufficient demand for loans by qualified borrowers. To the extent that there is insufficient demand for loans by qualified borrowers, this could have an adverse effect on the anticipated demand for the Company's real estate lending services and limit the Company in its efforts to generate sufficient revenues to make scheduled interest and principal payments on the Notes needed for growth. See "Business-Target Markets and Potential Future Markets."

Management of Rapid Growth

The Company's success depends, to a large extent, on its ability to achieve growth in the number of loan applications and closings, the due diligence and servicing of these loans and the ability to manage this growth effectively. This growth will challenge the Company's management, resources and systems. As part of its business strategy, the Company intends to pursue continued growth through its business contacts, marketing capabilities and marketing alliances. As the Company continues to grow, the Company will need to expand its resources and systems to manage future growth, but there can be no assurance that the Company will continue to be able to grow in the future or to even manage this growth effectively. Failure to do so could materially and adversely affect the Company's business and financial performance. See "Business," and "Management."

No Sinking Fund Provision; No Separate Loan Loss Reserve; Lack of Governmental Insurance

The Notes represent general obligations of the Company and will not be subject to redemption through a sinking fund. Although the Company does not currently maintain a loan loss reserve fund, the Company's Management tries to maintain an allowance for losses as part of the Company's general assets at a level that Management believes is adequate to absorb any anticipated losses. At this time, the Company reserves the right to maintain such reserve in the Company's discretion, but the Company has no plans to currently implement a separate loan loss reserve fund. As a result, the risk of loss on the Notes is greater than would be the case if the Notes were backed by a sinking fund or if the Company funded and maintained a separate loan loss reserve fund. Repayment of the Notes by the Company is not secured by any property owned by the Company or any third party. There will be no limitation on the amount of future indebtedness that the Company may issue, create or incur, and the Company will not be prohibited from permitting liens to be placed on or creating senior liens on its property for any purpose, including for the purpose of securing payments or additional indebtedness. Furthermore, neither the Federal Deposit Insurance Corporation nor any other state or federal government agency insures the Notes. See "Description of Securities."

Terms of Notes

The Company expects to redeem the Notes as they mature, including the initial principal balance of each Note and all accrued and unpaid interest. However, the Company has the right to redeem the Notes at any time prior to maturity upon 30 days' written notice to the Noteholder. In the case of early redemption, the Company has the absolute discretion to select the Notes that it will redeem, and there is no requirement that Notes be redeemed from Noteholders on a pro rata or any other basis. Notes redeemed prior to maturity would prevent Noteholders of the Notes called for redemption from receiving the anticipated return on such Notes. See "Description of Securities."

Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes

The Company may be dependent upon the proceeds of subsequently issued Notes to repay earlier maturing Notes. If sufficient proceeds from such subsequently issued Notes are not raised, the Company would rely on its cash reserves, its operating capital and proceeds from the sale of Trust Deeds to repay the earlier maturing Notes. Such funds may be insufficient to repay the earlier maturing Notes, in which event the Company may be unable to repay such Notes or the subsequently issued Notes. The ability of a Noteholder to obtain payment of principal and interest on a Note in these circumstances could be limited to the extremely unlikely event that the Noteholder gains control over and sell assets of the Company. See "Use of Proceeds" and "Description of Securities."

Variable Rates and Maturities of Notes

Each Note bears a fixed rate of interest from the date of its issuance until maturity or early redemption. However, Notes issued subsequent to those purchased by an investor may be issued at higher or lower interest rates and shorter or longer maturities, depending upon market conditions and other factors. Notes outstanding at any given time will not be modified to reflect the terms and conditions of such subsequently issued Notes. Therefore, any particular investor risks investing in the Notes on terms less favorable than may be available at later dates to future investors. See "Description of Securities."

Management anticipates that the interest rate on each Note will be determined and agreed upon on the date of issuance, in significant part, by the demand for funds and the competitive environment in the foreseeable future by the Company. Since the interest rate the Company may charge for its loans to its customers is limited by competitive and other factors, the Company may not be able to increase the interest rates charged on its loans to compensate for increases in its funding rate to investors. Similarly, the Company may not be able to decrease the funding rate to its investors to compensate for decreases in the interest rates charged on its loans to its customers. Also, market forces could eliminate the interest rate difference between the interest

rate paid to Investors and the interest rate charged to the Company's customers. See "Description of Securities."

Value of Company's Assets

The Notes, together with all other outstanding Notes and all other advances or liabilities owed by the Company to any holder of an outstanding Note, will be unsecured as to any and all assets owned by or later acquired by the Company (the "Company's Assets"). There can be no assurance that the proceeds of any sale of the Company's Assets pursuant to and following an Event of Default (as defined in "Description of Securities") would be sufficient to repay the Notes. In addition, investors in the Notes will have no ability to cause a sale of Company Assets. See "Use of Proceeds," "Business" and "Description of Securities."

Collections and Foreclosures

The Company is responsible for collecting payments from loan obligors and for foreclosing under the applicable Trust Deed in the event of default by an obligor. If the Company must complete a project repossessed by it, the Company may have to inject additional capital, which it may not be able to fully recover. Further, the completion time may be in excess of one year, causing a severe strain on the cash flow of the Company, depending upon the project size. The Company also is subject to strict state law requirements in the collection and repossession of its collateral securing each loan. Although the Company will make every effort to comply with all applicable laws, any failure to comply may subject the Company to severe monetary damages or penalties and may result in administrative or judicial action against the Company. See "Business-Regulation."

No Assurance of Conventional Financing for the Company's Operations

In addition to Note proceeds, the Company may establish lines of credit or obtain various forms of financing from a financial institution or any other person or entity. The Company's

management believes that during the past few years, conventional financing for speculative business enterprises, such as the Company's lending operations, has become more difficult to obtain. If regular, continued sale of the Notes is not successful, and the Company is not able to obtain sufficient financing from other sources, the Company may be forced to sell Trust Deeds and/or loans in its portfolio to pay maturing Notes as they come due. Mr. Chittick has provided liquidity to the Company through an equity line of credit in the past and he intends to do so in the future. When Mr. Chittick advances funds to the Company from this equity line of credit, Mr. Chittick draws an interest rate of 12% per annum from the Company. Funds advanced in this manner are generally only short term (3-5 days). If the Company were to require additional conventional financing, the lender will probably secure its loan through Mr. Chittick to the Company by requiring a lien on the Company's Assets, including the Trust Deeds. The lender's lien would have priority to any claims of any of the investors in the Notes, which puts these investors at risk. There can be no assurance the Company would be able to receive sufficient proceeds from the sale of the loans or Trust Deeds to repay any additional financing, if applicable, and to repay all of the outstanding Notes. See "Use of Proceeds," "Business" and "Description of Securities."

Comment [A19]: Is this still accurate?

Regulation

Because it will not make loans for personal, family or household purposes, the Company believes it has structured its operations to be exempt from various federal and state regulations, and particularly from regulations affecting lending and financial institutions. If it is determined that the Company has not structured its operations so that it is exempt from regulation, the Company could become subject to extensive regulation, including the Truth in Lending Act, the Homeownership and Equity Protection Act of 1994, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Real Estate Settlement Procedures Act and the Home Mortgage Disclosure Act, as well as various state laws and regulations. Failure to comply with any of these requirements or any similar state law requirement, may result in, among other results, demands for indemnification or repurchase, rescission rights, lawsuits, administrative enforcement actions and civil and criminal liability. In addition, there can be no assurance that existing regulations will not be revised to govern the activities of the Company as currently

structured. Compliance with existing or future regulation could be costly and could materially and adversely affect the operations of the Company. See "Business – Regulation," including the predatory mortgage lending discussion contained therein.

FHA Regulations

If new regulations are issued by the Federal Housing Administration or if a more strict interpretation of any of its regulations is implemented in the future, such regulations could reduce the demand for the Company's loans from prospective borrowers, which could impair the Company's ability to keep all of the proceeds from this offering fully invested. See "Business – Regulation."

No Assurance of Successful Placement of the Notes

The Notes are being privately placed by the Company to qualified investors who intend to hold them for their own account until maturity. There is no underwriter, and there is no assurance that the Company will be successful in the continued placement of the Notes in a manner sufficient to satisfy its cash flow requirements to continue funding loans to its borrowers. See "Use of Proceeds" and "Business."

Absence of Public Market/ Non-Transferability of Notes

The Notes have not been registered under the Act or any state securities law and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Act and applicable state securities laws. The Company does not intend to register the Notes under the Act or any state securities law In addition, the Notes are non-transferable without the prior written consent of the Company, which consent may be withheld in the Company's sole discretion Accordingly, there is no public or private trading market for the Notes, and it is highly unlikely that a trading market

will develop. The Company has no obligation to make any effort to cause a trading market to develop and does not intend to take any actions to cause a trading market to develop. Accordingly, and because the restricted nature of the security prohibits the purchase of the Notes for any purpose other than holding to maturity, an investor in the Notes must anticipate holding the Notes to maturity See "Description of Securities."

Impact of Change in Economic Conditions

An unforeseen change of general economic conditions, and particularly in Arizona and the southwestern United States, may adversely impact the Company's business and its ability to generate sufficient operating income to satisfy its debt obligations, including its obligations under the Notes as they become due. The Company maintains the right to adjust the interest paid in subsequently offered Notes and, on the Notes offered hereby, with a 30 days' Interest Adjustment Notice. For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note. In the past, Arizona's real estate market has been cyclical and has experienced severe fluctuations. Investors should anticipate that these real estate markets might experience cyclical fluctuations in the future. The Company would adjust its operations in response to changing conditions, but there can be no assurance that the Company will be able to operate as planned during periods of such fluctuation or adjust its operations to avoid the impact of such changed conditions. See "Business-Target Markets and Potential Future Markets."

Comment [A20]: "Can we adjust the interest of the Note?"

Comment [A21]: Note that giving the Noteholder an option when there is an Interest Adjustment Notice makes the unilateral interest adjustment more enforceable. Also, because it may not always be feasible to prepay a Note when a Noteholder objects to an interest adjustment, we did not obligate the Company to prepay the Note within a certain time frame. By leaving the interest rate unchanged when there is an objection (demonstrated by requesting prepayment), there is technically no penalty to the Noteholder for making an objection. In reality, the motivation to accept an interest adjustment will not be to avoid a penalty but to avoid an early prepayment that would end the investment opportunity. A court is much more likely to enforce this scenario than a penalty for not accepting a unilateral interest adjustment.

Dependence on Key Personnel

The Company is dependent on the continued services of Mr Chittick. The Company's ability to continue its lending operations would be significantly and adversely affected by the loss of Mr. Chittick if a qualified replacement could not be found without undue delay.

Although Mr. Chittick occasionally uses the services of outside consultants who have assisted Mr. Chittick in limited absences, it is unlikely that an outside consultant would be able to perform Mr. Chittick's duties as successfully as Mr Chittick has done. If Mr. Chittick is disabled or unavailable for a long period of time, Mr Chittick has developed a contingency plan for a consultant to wind down the Company's business, but there can be no assurance that such plan will be successful. See "Management-Contingency Plan in the Event of the Death or Disability of Mr. Chittick."

Management's Outside Interests and Conflicts of Interest

Mr. Chittick may maintain some activity in personal investments outside of the Company and he may manage similar types of outside portfolios as those maintained by the Company. Some of the Company's outside consultants who occasionally assist Mr. Chittick also make investments in loans secured by deeds of trust. In addition, Mr. Chittick invests in similar instruments on his own behalf. Since the Company plans to invest in portfolios similar to those of some of its consultants and Mr. Chittick, and because of the past (and limited present) consulting relationships between and among Mr. Chittick and some consultants, conflicts of interest exist and will continue to exist between the Company and the outside interests of Mr. Chittick and some consultants. See "Management."

No Protections From Investment Company Act Registration

The Company is not registered, and does not intend to register, under the Investment Company Act of 1940 in reliance upon an exclusion from the definition of an investment company provided in Section 3(c)(5) thereof. As a result, the operation and conduct of the Company's business will be subject to substantially less federal and state regulation and supervision than a registered investment company. If the Company was subject to the Investment Company Act of 1940, the Company would be required to comply with significant, ongoing regulation which would have an adverse impact on its operations. This could occur if a significant proportion of the proceeds from the sale of the Notes were invested in short-term debt

instruments for longer than a one-year period. The Company intends to take all reasonable steps to avoid such classification. See "Business."

No Protections From Investment Advisers Act of 1940 or Analogous Arizona Law

The Company is not registered or licensed, and does not intend to register or become licensed as an investment adviser with the State of Arizona or with the SEC pursuant to the Investment Advisers Act of 1940 because the Company's management believes that the Company is not engaged in the business of providing investment advice for compensation. Accordingly, the operation and conduct of the Company's business will be subject to less federal and state regulation and supervision than a registered investment adviser. If the Company was subject to the Investment Advisers Act of 1940 or the analogous Arizona law, the Company would be required to comply with significant, ongoing regulation which could cause the Company to incur additional costs, adversely impacting its operations. This could occur if the Company were deemed to be engaged in the business of providing investment advice for compensation and the Company cannot avail itself of the private investment adviser exemption under Arizona law or the forthcoming exemptions under the Rules to be promulgated by the SEC pursuant to the Dodd-Frank Act. The Company intends to take all reasonable steps to avoid such classification. See "Business."

Control by and Benefits to Insiders

Noteholders will not be able to influence the management of the Company because Mr Chittick owns all of the outstanding shares of common stock of the Company. See "Management" and "Principal Shareholder."

Difficulties and Costs of Continuous Offering

Until the *maximum* offering *proceeds* are *attained* or the Company terminates this offering, the Company expects to offer the Notes for placement on a continuing basis for two years from the date of this Memorandum unless the Company changes its operations or method of offering in any material respect prior to the expiration of the two year offering period. See "Plan of Distribution." In order to continue offering the Notes during this period, the Company will need to update this Memorandum from time to time. Keeping the information in the Memorandum current will cause the Company to incur additional costs. A failure to update this Memorandum as required could result in the Company being subject to a claim under Section 10b-5 of the Securities Act for employing a manipulative or deceptive device in the sale of securities, subjecting the Company, and possibly the management of the Company, to claims from regulators and investors. In addition, an investor might seek to have the sale of the Notes hereunder rescinded which would have a serious adverse effect on the Company's operations.

Comment [A22]: 2 year?.

Certain Charter Provisions

Arizona law provides that Arizona corporations may include provisions in their articles of incorporation or bylaws relieving directors and officers of monetary liability for breach of their fiduciary duty as director or officers, respectively, except for the liability of a director or officer resulting from: (i) any transaction from which the director derives an improper personal benefit; (ii) acts or omissions involving intentional misconduct or the absence of good faith; (iii) acts or omissions showing reckless disregard for the director's or officer's duty; or (iv) the making of an illegal distribution to shareholders or an illegal loan or guaranty.

The Company's Articles of Incorporation provide that the Company's directors are not liable to the Company or its shareholders for monetary damages for the breach of their fiduciary duties to the fullest extent permitted by Arizona law. The Company's Bylaws provide that the Company may indemnify its directors and officers as to those liabilities and on terms and conditions permitted by Arizona law including the payment of expenses incurred by a director or

officer in advance of final disposition of the proceeding following the furnishing of certain written representations.

Notes Are Unsecured General Obligations

The Notes are unsecured obligations of the Company, and Noteholders will be general unsecured creditors of the Company. The Notes do not limit the Company's ability to obtain additional capital from other sources and do not limit the Company's ability to grant such other financing sources liens or other security interests in the Company's Assets and other property If a bankruptcy proceeding is commenced by or against the Company, creditors of the Company who were granted a security interest in the Company's property will be entitled to repayment prior to any general unsecured creditors of the Company, including the Noteholders. The Company may also incur additional unsecured obligations, which could reduce the funds available for repayment of the Notes in a bankruptcy or other liquidation scenario. Title 11 of the United States Code (the Bankruptcy code") also specifies that certain other creditors be entitled to repayment prior to general unsecured creditors. There can be no assurance that the Noteholders will receive any payments in respect of the Notes if the indebtedness of any secured creditors of the Company exceeds the value of such secured creditors' collateral.

Changes in Investment and Financing Polices Without Noteholder Approval

The major business decisions and policies of the Company, including its investment and lending policies and other policies with respect to growth, operations, debt and distributions, will be determined by the Company's management. The Company's management will be able to amend or revise these and other policies, or approve transactions that deviate from these policies, from time to time without a vote of the Noteholders. Accordingly, the Noteholders will have no control over changes in strategies and policies of the Company, and such changes may not serve the interests of all the Noteholders and could materially and adversely affect the Company's financial condition or results of operations.

Issuance of Additional Debt and Equity Securities

The Company will have authority to offer additional debt and equity securities for cash, in exchange for property, services or otherwise. The Noteholders will have no preemptive right to acquire any such securities. Further, the Company is not subject to any agreement that limits or restricts the amount or the terms of additional debt that the Company may incur in the future. To the extent that the Company incurs debt and grants its creditors security interests in or other liens upon the Company's Assets or other collateral, those other creditors would enjoy priority in right of payment compared to the Noteholders, up to the value realizable from such collateral.

Concentration of Loans in Arizona

The Company's portfolio of loans is concentrated in Arizona. Consequently, the Company's operations and financial condition are dependent upon general trends in the Arizona market in which such concentration exists and, more specifically, its respective real estate market. A decline in a market in which the Company has a concentration may adversely affect the values of properties securing the Company's loans, such that the principal balance of such loans may equal or exceed the value of the underlying properties, making the Company's ability to recover losses in the event of a borrower's default unlikely. In addition, uninsured disasters such as floods, terrorism, and acts of war may adversely impact the borrowers' ability to repay loans, which could have a material adverse effect on the Company's results of operations and financial condition.

Possible Inadequacy of Allowances for Loan Losses

The Company's allowance for losses related to the loans is maintained at a level considered adequate by management to absorb anticipated losses, based upon historical experience and upon management's assessment of the collectibility of loans in the Company's portfolio from time to time. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond the

Company's control and such losses may exceed current estimates. Although management believes that the Company's allowance for losses related to the loans is adequate to absorb any losses on existing loans that may become uncollectible, there can be no assurance that the allowance will prove sufficient to cover actual losses related to the loans in the future.

Comment [A23]: Is this still accurate?

Broad Management Discretion as to Use of Proceeds

The net proceeds to be received by the Company in connection with this offering will be used for working capital and general corporate purposes, including the funding of loans. Accordingly, management will have broad discretion with respect to the expenditure of such proceeds. Purchasers of the Notes will be entrusting their funds to the Company's management, upon whose judgment they must depend, with limited information concerning the specific working capital requirements and general corporate purposes to which the funds will ultimately be applied. See "Use of Proceeds."

Company Is Exposed to Risks of Being a Lender

The current economic downturn could severely disrupt the market for real estate loans and adversely affect the value of any outstanding real estate loans made by the Company, and in turn the Notes. Non-performing real estate loans may require substantial negotiations by the Company with the borrower in order for the Company to ultimately obtain the underlying property used as collateral for the loan. The Company may incur additional expenses to the extent it is required to negotiate with the borrower in order to obtain the underlying property. In the event the Company is unable to obtain the underlying property, because of the unique and customized nature of a real estate loan, certain real estate loans may not be sold easily. One or more non-performing real estate loans secured by property that the Company is unable to obtain could have a negative affect on the performance of the Company and the return on your investment.

Governmental Action May Reduce Recoveries on Non-Performing Real Estate Loans

In the event the Company decides to foreclose on a real estate loan, legislative or regulatory initiatives by federal, state or local legislative bodies or administrative agencies, if enacted or adopted, could delay foreclosure, provide new defenses to foreclosure or otherwise impair the ability of the Company to foreclose on a real estate loan in default. Various jurisdictions have considered or are currently considering such actions, and the nature or extent of the limitation on foreclosure that may be enacted cannot be predicted. Bankruptcy courts could, if this legislation is enacted, reduce the amount of the principal balance on a real estate loan, reduce the interest rate, extend the term to maturity or otherwise modify the terms of a bankrupt borrower's real estate loan.

Property Owners Filing for Bankruptcy May Adversely Affect the Company and the Notes

The filing of a petition in bankruptcy automatically stops or "stays" any actions to enforce the terms of a real estate loan. Further, the bankruptcy court may take other actions that prevent the Company from foreclosing on the underlying property. A court may require modifications of the terms of a real estate loan, including reducing the amount of each monthly payment, changing the rate of interest and altering the payment schedule, thus allowing the borrower to keep the underlying property and thus preventing foreclosure by the Company and/or making the sale of the real estate less profitable. A court may also permit a borrower to cure a monetary default relating to a real estate loan by paying arrearages within a reasonable period and reinstating the original real estate loan payment schedule, even if a final judgment of foreclosure has been entered in a state court. Any bankruptcy proceeding will, at a minimum, delay the Company in achieving its investment objectives and may adversely affect the Company's profitability.

Violation of Various Federal, State and Local Laws May Result in Losses

Violations of certain federal, state or local laws and regulations relating to the protection of consumers, unfair and deceptive practices and debt collection practices may subject the

Company to damages and administrative enforcement. In the event that a real estate loan issued by the Company was not originated in compliance with applicable federal, state and local law, the Company may be subject to monetary penalties and could result in the borrowers rescinding the affected real estate loan. As a result, the Company may not be able to achieve its financial projections with respect to the particular underlying property.

Delays in Liquidation Due to State and Local Laws

Property foreclosure actions are regulated by state and local statutes and rules and are subject to many of the delays and expenses of other lawsuits, sometimes requiring several years to complete. As a result, if the Company is not able to obtain the property voluntarily from the borrower, the Company may not be able to quickly foreclose on and subsequently sell a property securing a real estate loan.

An Investment in the Notes May Not Be Consistent With Section 404 of ERISA

Persons acting as fiduciaries on behalf of a qualified profit sharing, pension or other retirement trusts subject to the Employee Retirement Income Security Act of 1974 ("ERISA") should satisfy themselves that an investment in the Notes is consistent with Section 404 of ERISA and that the investment is prudent, taking into consideration cash flow and other objectives of the investor.

There Can Be no Assurance of Confidentiality

As part of the subscription process, investors will provide significant amounts of information about themselves to the Company. Pursuant to applicable laws, such information may be made available to third parties that have dealings with the Company, and governmental authorities (including by means of securities law-required information statements that are open to public inspection). Investors that are highly sensitive to such issues should consider taking steps

to mitigate the impact upon them of such disclosures (such as by investing in the Notes through an intermediary entity).

Legal Counsel to the Company and Its President Does Not Represent the Noteholders

Each investor must acknowledge and agree in the Subscription Agreement that legal counsel representing the Company and its President does not represent, and shall not be deemed under the applicable codes of professional responsibility, to have represented or to be representing, any or all of the investors.

Legal Counsel to the Company Will Represent the Interests Solely of the Company and Its President

Documents relating to the purchase of Notes, including the Subscription Agreement to be completed by each investor, will be detailed and often technical in nature. Legal counsel to the Company will represent the interests solely of the Company and its President, and will not represent the interests of any investor Accordingly, each prospective investor is urged to consult with its own legal counsel before investing in the Company and the purchase of the Notes. Finally, in advising as to matters of law (including matters of law described in this Memorandum), legal counsel has relied, and will rely, upon representations of fact made by the Company's President. Such advice may be materially inaccurate or incomplete if any such representations are themselves inaccurate or incomplete, and legal counsel generally will not undertake independent investigation with regard to such representations.

Federal Income Tax Risks

The discussion entitled "Certain United States Federal Income Tax Considerations" includes a discussion of certain U.S. income tax risks involved in an investment in the Notes. The section does not discuss all aspects of U.S. federal income taxation that may be relevant to any particular investor and cannot address any investor's specific investment circumstances. In

addition, the section does not include a discussion of state, local or foreign tax laws. Each investor should consult its own tax advisor with respect to these and other tax consequences of an investment in the Notes.

FORWARD-LOOKING STATEMENTS

This Confidential Private Offering Memorandum, including information incorporated by reference in this Memorandum, contains forward-looking statements regarding the Company's plans, expectations, estimates and beliefs. Actual results could differ materially from those discussed in, or implied by, these forward-looking statements. When used in this Memorandum, the words "anticipate," "intend," "believe," "estimate," and other similar expressions generally identify forward-looking statements, which are found throughout this Memorandum whenever statements are made that are not historical facts. Accordingly, such forward-looking statements might not accurately predict future events or the actual performance of an investment in the Notes. In addition, you must disregard any projections and representations, written or oral, which do not conform to those contained in this Confidential Private Offering Memorandum.

USE OF PROCEEDS

The Company intends to use the net proceeds received from the sale of the Notes, primarily for operating capital, to purchase and fund Trust Deeds and to acquire interests in properties or notes, which the Company's management anticipates to be able to resell or collect as applicable. The proceeds from the sale of Notes may be used to repay earlier maturing Notes, provided, however, the Company will limit the amount of money that may be raised for this purpose so that the Company will not become subject to the Investment Company Act of 1940. See "Risk Factors – Proceeds From Subsequently Issued Notes May Be Used to Repay Earlier Maturing Notes."

The Company may use proceeds from this private placement for general business purposes, including rent, advertising, labor and administrative expenses, if needed, investment, expansion or the purchase of capital assets and to fund loans to borrowers and purchase Trust Deeds. However, the Company expects that no more than 05 percent of the proceeds of the offering will be allocated to general business purposes. The Company is not required to maintain reserves or to deposit any of the proceeds of the offering, into a reserve account, for the purpose of providing liquidity to service interest payments on, and redemption of, the Notes as they mature. The Company does not intend to maintain reserves from the proceeds of the offering in a cash reserve account. The remaining proceeds, net of cash reserves, if any, should be available to fund and purchase Trust Deeds. The Company is not required or obligated to give Noteholders notice of any changes in the Company's intended use of proceeds of the offering. See "Business."

Comment [A24]: Is this still accurate?

The following table sets forth the Company's best estimates of the use of the minimum and maximum target gross proceeds from the sale of the Notes.

	Target Amount Raised	*Percent of Offering*
Gross Offering Proceeds	$50,000,000	100%
Commissions & Costs (1)	-0-	0%
Cash Reserve (2)	-0-	0%
General Business (3)	$25,000	.05%
Proceeds Available For Funding/ Purchase of Construction Loans (4)	$49,975,000	99.95%

Comment [A25]: Are these numbers still accurate?

(1) The Company does not anticipate paying costs and commissions in excess of the costs associated with this offering. The Notes may be purchased directly from the Company without commission. Notes maturing more than two years also may be purchased by investors using qualified funds (i.e., IRA, SEP IRA, ROTH IRA and Keogh Plans), through a licensed broker-dealer and with an approved custodian; provided, that such investments meet the investor suitability requirement.

(2) Company intends (but is not required) to maintain cash reserves (or access to other funds) approximately equal to a minimum of one percent of the aggregate balance of Notes outstanding in its general accounts to provide funds to service interest payments and to facilitate redemption of the Notes. This amount will be calculated using a proprietary cash-flow management model. Interest accruing in the general accounts will belong to the Company.

Comment [A26]: Is this still accurate? If so, then why does the above table state -0- for Cash Reserves?

(3) Company anticipates that its current facilities are adequate to fund real estate loans and to service the volume of contracts that would be purchased at the minimum level of proceeds. If its business is significantly increased, the Company may invest in additional personnel, computer equipment and facilities capable of processing increased data. General business expenses may also include the offering expenses.

(4) This use of the proceeds is only an estimate and the Company reserves the right to allocate the proceeds in a different manner consistent with the Confidential Private Offering Memorandum.

PRIOR PERFORMANCE

Mr. Chittick organized the Company in April of 2001 to provide a short-term funding source for primarily real estate developers and foreclosure specialists. Mr Chittick has arranged for the funding and administration of real estate loans since that time. The paragraph below indicates the Company's history in raising money from investors, the number of loans made, the aggregate amount of such loans, the underlying values of the security for such loans and any problems with respect to such loans.

Mr. Chittick initially capitalized the company with one million dollars of his personal funds. From July 2001 through December 2001, an additional $500,000 was raised from investors. In 2002, an additional $930,000 was raised from investors. In 2003, an additional $1,550,000 was raised from existing and new investors. In 2004, the amount from both old and new investors increased to an additional $2,450,000. In 2005, an additional $2,670,000 was raised from existing and new investors. In 2006, an additional $2,800,000 was raised from existing and new investors. In 2007, an additional $2,400,000 was raised from existing and new investors. In 2008, an additional $3,000,000 was raised from existing and new investors. In 2009, an additional $2,100,000 was raised from existing and new investors. In 2010, an additional $2,800,000 was raised from existing and new investors. From January 2011 to June, 2011, an additional $4,700,000 was raised from existing and new investors. From July 2011 to _____, an additional $_____ was raised from existing and new investors. Mr. Chittick uses an equity line of credit to help facilitate cash flow for the Company. All of the money raised from investors has been through the sale of promissory notes like those being offered in this placement. Such notes were for terms of 6 to 60 months and have, to date, drawn interest at the rate of 8 to 12% per annum. The Company has never defaulted on either interest or principal for any of such notes.

Comment [A27]: Are these details still accurate? Any updated figures?

The money raised by the Company from investors has historically been divided into a large portfolio of loans secured by marketable properties with varying values and locations in the Phoenix metro area. The Company is currently lending in approximately 20 cities in the Phoenix metro area, which includes Maricopa and Pinal Counties. The Company will have loans secured by properties in many of these cities simultaneously. The Company has endeavored to maintain

Comment [A28]: Is this still accurate?

a large and diverse base of borrowers as well as a diverse selection of properties as collateral for its loans to the borrowers. However, in response to the more recent challenging conditions in the real estate market, the Company has focused on maintaining relationships with borrowers that have a proven track record with a good payment history and performance. The Company continues to strive to achieve a diverse borrower base by attempting to ensure that one borrower will not comprise more than 10 to 15 percent of the total portfolio.

Comment [A29]: Is this still accurate? If not, what % of the portfolio is from Scott's entities?

All real estate loans funded by the Company are intended to be secured through first position trust deeds. The loan to value ratio of the Company's overall portfolio has averaged less than 70% and the Company intends to maintain a loan to value ratio of 50% to 65%.

Comment [A30]: Are these details still accurate?

Year	Loans Funded	Loan Value	Value of Loans	Loans Repaid	Loans Repaid Value	Value of Homes Repaid
2001	37	$3,378,000.00	$6,393,000.00	15	$1,452,000.00	$2,451,000.00
2002	69	$5,685,000.00	$878,000.00	65	$5,267,000.00	$9,076,300.00
2003	324	$11,673,000.00	$1,753,500.00	106	$963,500.00	$19,488,500.00
2004	185	$19,907,000.00	$30,422,600.00	170	$17,951,700.00	$26,939,500.00
2005	236	$38,955,700.00	$56,487,300.00	232	$31,001,940.00	$45,111,500.00
2006	215	$34,468,100.00	$52,784,000.00	212	$35,301,250.00	$53,057,200.00
2007	272	$42,579,634.00	$65,931,500.00	257	$41,424,815.00	$66,352,800.00
2008	304	$38,864,660.00	$63,671,300.00	257	$34,578,755.00	$56,369,400.00
2009	412	$41,419,707.00	$72,078,620.00	349	$39,416,824.00	$67,713,100.00
2010	390	$37,973,097.00	$63,771,350.00	355	$37,175,201.00	$61,666,170.00
*2011	378	$36,187,995.00	$62,220,600.00	300	$29,683,992.00	$51,004,900.00
		$306,786,893.00	$470,411,170.00		$274,216,977.00	$493,340,370.00
	2622			2319		

*Through June 30, 2011

Comment [A31]: We need final 2011 figures, together with missing 2012, 2013, and current 2014 figures.

From 2001-2005, all interest due from all loans was collected.

In 2006, one loan that was foreclosed on, and successfully resold, did not pay all the interest due. However, the small uncollected amount was absorbed by the Company.

In 2007, one condominium loan, two house loans, and one land loan were foreclosed. While the condominium and houses were sold with minimal principal loss, much of the interest

was collected on all four loans. One land loan was written off. The loss was absorbed by the Company

In 2008, one condominium and six homes were sold with minimal principal loss; much of the interest was collected on all the loans. The loss was absorbed by the Company. There were 15 more homes that were either foreclosed on or ownership was acquired through the deed in lieu process. These houses are presently either for sale on the retail market, or have been rented and are for sale on the investor market.

In 2009, one condominium and 12 homes were sold with principle loss; much of the interest was collected on all the loans. The loss was absorbed by the Company. The Company also acquired a 12-plex that was a construction loan. This is being rented and managed by a property management firm.

In 2010, one house was sold for a loss. It was acquired through foreclosure in 2009; the loss was absorbed by the Company.

In 2011, three homes were sold for a loss. The losses were absorbed by the Company. There were three homes that were sold for a gain and all interest was paid in full. One loan was foreclosed on, sold at the auction, all principle, interest, late fees and foreclosure fees associated with the sale were collected.

In 2012, _____.

In 2013, _____.

In 2014, _____ ____houses are presently in escrow, which will close in ____, to which a gain will be made.

Comment [A32]: How many homes owned by the Company are currently in escrow? Are losses or gains expected?

The Company presently has three condominiums, 12 houses and a 12-plex that are all being rented. A professional management company has been retained to manage these properties. All of these properties are listed to be sold. The rent received is at or slight negative to the cost of

Comment [A33]: Does the Company currently have any rentals? If so, how many are there and what type of properties are they?

capital for the Company. It was Management's decision to retain these properties rather than sell them and take a loss. Now that the market has shown some signs of strengthening, it is believed that these properties can be sold for minimal loss to the Company.

Comment [A34]: What is the current situation? Is a professional management company used? Are the rentals listed to be sold? Etc.

The Company currently has one condominium and one lot that are for sale. The lot is currently be negotiated to be rented by a construction company at the cost of capital. The goal is sell both of these properties as soon as possible.

Comment [A35]: Current situation?

In April 2014, the Company agreed to a forbearance agreement (the "Work-Out") with two Foreclosure Specialists (the "Forbearance Debtors") regarding the terms of certain loans (collectively, the "Work-Out Loans"), which in aggregate totaled $_____ in outstanding loans to the Foreclosure Debtors. At the time of the Work-Out, $_____ in interest from the Work-Out Loans was due but unpaid. The Company and the Foreclosure Debtors agreed that the Work-Out Loans were in default under their terms as the properties that were used to secure the Work-Out Loans (each a "Forbearance Property," collectively, the "Forbearance Properties") were also used to secure approximately $_____ in loans from third parties (each an "Outside Loan," and collectively, the "Outside Loans"). According to the Foreclosure Debtors, an agent of the Foreclosure Debtors had secured the Outside Loans without the Foreclosure Debtors' knowledge. In the opinion of the Company, the liens for both the Work-Out Loans and the Outside Loans resulted in many of the Forbearance Properties having an aggregate loan-to-value ratio in excess of 100%. The Company also opined that if it foreclosed on the Forbearance Properties, a dispute would arise between the Company and the lenders of the Outside Loans regarding which lender had the first lien position over the Forbearance Properties. To mitigate its risks regarding the Outside Loans, the Company initially loaned the Forbearance Debtors approximately $5 million (the "Initial Loan") to satisfy and secure a release of the liens for some of the Outside Loans. In the Company's opinion, there still remained a risk of a dispute regarding the liens for the remaining Outside Loans. In light of these facts, the Company believed that the Work-Out provided the most feasible alternative to reach a satisfaction of the Work-Out Loans. Amongst other things, the terms of the Work-Out requires the Foreclosure Debtors to: (a) liquidate assets (expected to generate approximately $4 to $5 million); (b) apply all of its net proceeds from its operations (*i.e.*, the rental and disposition of real estate) to resolve

Comment [A36]: ? Is this accurate? Does co. loan'd appx $5 million prior to executing the Forbearance Agreement?

the lien disputes regarding the Forbearance Properties; (c) arrange for $5.2 million in private outside financing; (d) agree to keep the Outside Loans current and in compliance with their respective terms; and (e) use these and other best efforts to satisfy and payoff the Outside Loans by no later than January 2015. To protect the interest of the Company, the terms of the Work-Out also requires the Foreclosure Debtors to: (s) ratify and agree to the increases to certain Work-Out Loans as a result of the Initial Loan; (t) cause appropriate title policies to be issued to insure that the Work-Out Loans constitute a valid and enforceable first and prior lien over the subject Forbearance Properties; (u) secure and maintain a life insurance policy in the amount of $10 million, insuring the life of the principal of the Forbearance Debtors, with the Company named as the sole beneficiary; (v) provide the Company with a ratification of previous personal guarantees regarding the Work-Out Loans, together with a personal guarantee of the principal of the Forbearance Debtor regarding the terms of the Work-Out; (w) provide a new corporate guarantee (with a security agreement and retail inventory to serve as collateral) for the obligations of the Work-Out Loans and the terms of the Work-Out; (x) provide the Company details regarding the terms of the Outside Loans; (y) provide additional collateral in the event that any obligation of the Work-Out Loans are breached; and (z) reimburse the Company for $80,000 in costs incurred as a result of the Work-Out. In consideration of these obligations of the Forbearance Debtors, the Company agreed, amongst other things, to defer (but not waive) collection of interest on the Work-Out Loans while the Outside Loans are being satisfied, and with the condition that the additional loans from the Company are used to satisfy Outside Loans, the Company agreed to increase (up to 120%) the maximum allowable loan-to-value ratio for certain Forbearance Properties and to provide up to $6 million in additional loans (collectively, the "Additional Loans").

As a result of the Work-Out, including the Initial Loan and the Additional Loans, the loan to value ratio of the Company's overall portfolio averaged ____%, as of _ _____, 2014. Additionally, as of _____ _, 2014, _____% of all of the Company's outstanding loans are concentrated with one of the Forbearance Debtors and ____% is concentrated with the Forbearance Debtor. Both of these Forbearance Debtors have the same principal

Since inception through April 30, 2014, the Company has participated in [redacted] loans, with an average loan amount of $_____, with the highest single loan being $_____ and lowest being $_____ The aggregate amount of loans funded is $306,786,693 with property values totaling $470,411,170. The total amount of loans that have funded and closed is $274,416,977 with home values equaling $453,340,340. These loans have borne interest rates of 18% per annum. The interest rate paid to noteholders has ranged from 8% to 12% per annum through such date. Each and every Noteholder has been paid the interest and principle due to that Noteholder in accordance with the respective terms of the Noteholder's Notes. Despite any losses incurred by the Company from its borrowers, no Noteholder has sustained any diminished return or loss on their investment in a Note from the Company.

Comment [A37]: is July 2011, the F was 2012?

Comment [A38]: We need updated figures. Are other spreadsheets regarding interest rates, payments to Noteholders, etc?

MANAGEMENT

Directors and Executive Officers

The Director and Executive Officer of the Company are: Denny J Chittick, President, Vice President, Treasurer, and Secretary.

Comment [A39]: What is your current age?

Denny J Chittick worked at Insight Enterprises, Inc, a publicly traded company, for nearly 10 years, holding many different positions from finance, accounting, operations and held the position of Sr. Vice President and CIO when he left the company in 1997. Since leaving Insight, he has been involved in several different companies, including a software company, internet company and finance company. Mr. Chittick holds a degree in Finance from Arizona State University

Real Estate Consultant

The Company will have only one employee, which will require the Company to use outside consultants on a periodic basis to provide various services. These consultants may be retained to assist with any necessary due diligence in connection with these loans and, to the extent necessary, to assist with the closing of a loan.

Employees

With the assistance of outside consultants on an as-needed basis, Mr. Chittick intends to operate the Company as its primary employee, analyzing, negotiating, originating, purchasing and servicing Trust Deeds by himself. As the portfolio of contracts increases, the Company may add additional personnel.

Contingency Plan in the Event of Death or Disability of Mr. Chittick

In the event that Mr. Chittick is unable to perform his duties to continue the operation of the Company in any capacity, Mr. Chittick has a written agreement with Robert Koehler, an owner of RLS Capital, Inc. to provide or arrange for any necessary services for the Company. Comment [A40]: Is this still accurate?

Mr. Koehler has fifteen (15) years of experience supporting real estate loan portfolios similar to the portfolio of the Company. Mr. Koehler holds a real estate license in Arizona and has worked as a loan officer in the residential and commercial transactions and has conducted due diligence effort for thousands of private purchase of notes and trust deeds. Mr Koehler is respected as a member of the Arizona real estate investment community by investors, borrowers, mortgage brokers, escrow officers and real estate agents. As part of this contingency plan, Mr. Koehler is a signatory on the Company's bank account. On a weekly basis, Mr. Koehler receives an updated spreadsheet of all properties currently being used as collateral for a loan. On a monthly basis, Mr. Koehler receives a spreadsheet of all the investors and what is owed to each of them and receives the monthly statements for all investors. Pursuant to the agreement with Mr. Koehler, upon Mr. Koehler's receipt of instructions from Mr. Chittick, or from other designated individuals or upon medical confirmation that Mr. Chittick is unable to continue to perform his duties as President of the Company for an extended period of time, Mr. Koehler will act to close down the Company's business by collecting all of the monies due on the Trust Deeds and Mr. Koehler will return all of the principal and interest owed to the investors pursuant to the Notes. Comment [A41]: Are these details accurate?

Management Compensation

As the sole shareholder, Mr. Chittick receives a salary consistent with IRS guidelines. Salary adjustments are made at year-end in order for Mr. Chittick to fund his 401(K) and to pay his income taxes. Year-end profits are taxed to Mr Chittick pursuant to the U.S. Internal Revenue Code rules applicable to Subchapter S corporations. Therefore, year-end profits may be distributed to Mr. Chittick. In addition, Mr. Chittick is paid interest on Notes funded by Mr. Chittick in the same manner as the other investors. See "Management – Management Compensation " As the Company expands its lending operations and increases the workload of

Mr. Chittick, he reserves the right to receive an increased salary so long as there is no current default under the Notes.

Ownership Compensation

The Company receives its revenue primarily from interest earned on trust deeds, rents on properties owned by the Company, interest on cash reserve accounts, and interest earned on investments made by the Company after subtracting interest paid on its debts. The amount of profits, and therefore, compensation to Mr. Chittick, will be dependent upon the amount of Notes sold, Trust Deeds acquired, loans made and the terms of such loans. After payment of its principal and interest obligations under the Notes, the Company distributes the balance to Mr. Chittick; provided, however, the Company may (but is not required to) retain earnings in the Company up to a level of "reserve" or "retained earnings" goals that the Company deems adequate. Subject to the need to adjust these goals due to special liquidity needs due to plans to repay Notes or to fund future Trust Deeds, the Company anticipates that it will be able to achieve and maintain adequate reserve goals to meet the Company's obligations.

Mr. Chittick may have significant investments in the Notes, for which the Company will pay him monthly interest on the same basis as other Noteholders which investment amount will be subordinated to all other Notes placed pursuant to this Memorandum. (Mr. Chittick currently has invested approximately $_____ in Notes, but this amount varies from $1.9 million to $3.2 million.) See "Description of Securities." The Company intends to pay to Mr. Chittick all retained earnings in excess of any reserves deemed necessary or desirable by Mr. Chittick to meet the Company's obligations.

Comment [A42]: Are these figures still accurate?

PRINCIPAL SHAREHOLDER

The following table sets forth the beneficial ownership of shares of the Company's outstanding common stock.

Name and Address	Number of Shares	Percent
Denny J. Chittick	500,000	100%
6132 W. Victoria Place		
Chandler, AZ 85226		

The Company is authorized to issue up to 25,000,000 shares of common stock, but has no intent to issue additional common stock at this time.

Comment [A53]: Are these details still accurate? Are any shares held by a trust?

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Ownership

Based on his 100 percent ownership of the Company's common stock, Mr. Chittick maintains the exclusive ability to elect directors, appoint officers and manage the operations of the Company.

Competing Businesses

During the four years prior to forming the Company, Mr Chittick personally invested in companies and in real estate loans that are substantially similar to the Company's investments in Trust Deeds. In addition to his activities on behalf of the Company, Mr. Chittick reserves the right to continue his personal investments in real estate and instruments similar to Trust Deeds, which are considered competing businesses of the Company. See "Risk Factors – Management's Outside Interests and Conflicts of Interest."

DESCRIPTION OF SECURITIES

The Company is offering up to $50 million in Notes. The minimum denomination is $50,000, and the maximum denomination is $1,000,000 in a single note. An investor may purchase more than $1,000,000 in Notes, but it will be distributed over different Notes. Denominations increase from the minimum to the maximum in additional increments with a minimum incremental increase of $10,000. Until the maximum offering proceeds are attained or the Company terminates this offering, the Company expects to offer the Notes for placement on a continuing basis for two years from the date of this Memorandum. Absent an earlier termination, the offering will continue for so long as the Company has not changed its operations or method of offering in any material respect. If the Company changes its operations or method of offering in any material respect, the Company will update the Memorandum as necessary to provide correct information to investors. The Company may experience difficulties in conducting a continuous offering of Notes. See "Risk Factors – Difficulties and Costs of Continuous Offering."

Comment [A44]: Two years?

The Notes are general obligations of the Company and are superior in priority and liquidation preference to any Notes payable to Mr. Chittick. Mr. Chittick has agreed to subordinate any Notes to which he subscribes to Notes with similar maturities placed with other investors. Although the Company has never defaulted with respect to a Note, including any regular interest payment or the principal and interest due upon the maturity of the Note, if the Company should ever be in default with respect to any Note, Mr. Chittick will subordinate any Notes he may hold until the default is cured and Mr. Chittick will also defer any compensation until the default is cured. While Mr. Chittick has agreed and will act as set forth above in this Memorandum, such agreement is not evidenced in a separate writing signed by Mr. Chittick.

Comment [A45]: Is this statement still accurate?

The Notes will bear interest at the rates stated for the term selected. The investor may elect to have interest paid monthly, quarterly or accrue and be paid at maturity. If the investor elects to have interest paid at maturity or quarterly, the interest will accrue monthly and earn compounded interest. Interest is payable on the last day of each period to the investors of the Notes at the principal office of the Company in Chandler, Arizona. At the option of the

Comment [A46]: Can the investor elect after the Note is executed or does the selection need to be made and detailed in the Note?

Company, interest payments may be paid by check mailed to the address of the investor entitled thereto as it appears on the Subscription Agreement for the Notes. An investor may request in writing to the Company that a deposit be made to a designated bank or investment account.

The Notes are not transferable without the prior written consent of the Company, which the Company may withhold in its sole discretion. The Company anticipates withholding its consent if the transfer could jeopardize the Company's exemption under Regulation D or any applicable state blue-sky law or the Company's exclusion from the definition of an investment company under the Investment Company Act of 1940.

The Notes are unsecured and are not insured or guaranteed by any state or federal government entity or any insurance company. In event of default, an investor could look only to the Trust Deeds or other assets of the Company for repayment.

As unsecured, general obligations of the Company, the Notes will not have any specific collateral. The Company's Assets include all of the Company's right, title and interest in Trust Deeds owned by the Company, together with all payments and instruments received thereto, real estate owned by the Company as a result of a deed-in-lieu of foreclosure due to a borrower default, and all proceeds of the conversion of any of the foregoing into cash or other liquid property So long as the Company is not in default on the Notes, the Company is permitted to freely transfer, sell or substitute, in the normal course of business, any Trust Deeds it owns, subject to general restrictions concerning transfers of property; provided, however, the Company may transfer, sell or substitute one or more Trust Deeds if such transfer, sale or substitution is done in connection with a plan to cure a default.

On an annual basis, the Company will retain an independent accounting firm to prepare the 1099's to be issued by the Company to the investors and to prepare the tax return for the Company. On an annual basis and upon written request from an investor, the Company will certify to the requesting investor(s) that the aggregate outstanding principal amount of all cash accounts, other property and Trust Deeds is at least equal to the principal amount of outstanding Notes as of the date of the request.

The Company maintains the right to adjust the interest paid in subsequently offered Notes and on the Notes offered hereby with a 30 days' Interest Adjustment Notice. For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note. Any such modification of the interest rate or term will not affect Notes then issued and outstanding.

Comment [A47]: Not: Giving the Noteholder an option when there is an Interest Adjustment Notice makes the unilateral interest adjustment more enforceable. Also, because it may not always be feasible to prepay a Note when a Noteholder objects to an interest adjustment, we did not obligate the Company to prepay the Note within a certain time frame. By leaving the interest rate unchanged when there is an objection (demonstrated by requesting prepayment), there is technically no penalty to the Noteholder for making the objection. In reality, the motivation to accept an interest adjustment will not be to avoid a penalty but to avoid an early prepayment that would end the investment opportunity. A court is much more likely to enforce this scenario than a penalty for not accepting a unilateral interest adjustment.

Notes are initially being offered at the following rates and maturities:

Note Terms (2) (3)

Note Amount (1)	6 Months	1 Year	2 Years to 5 Years
$50,000 and up	8% (4)	10% (4)	12% (4)

Comment [A48]: Are these figures still accurate?

(1) Note amounts are issued in varied denominations from $50,000 to $1,000,000, and in additional increases with a minimum of $10,000. For qualified funds, the Company will accept minimum contributions in such amounts as reasonably determined by the Company

(2) Although 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. ~~Upon the Company's election to honor an investor's request to prepay any Note prior to maturity, the Company reserves the right to adjust any interest payable to the investor to the interest rate that would have been payable for the actual outstanding term of the Note.~~

Comment [A49]: Do you still want to make this representation? Is the statement still accurate today?

Comment [A50]: Note: Is it very questionable whether a Court would enforce a unilateral adjustment like this.

(3) The Notes may be redeemed by the Company at any time prior to maturity upon 30 days written notice to the investor at a price equal to the principal amount of the Note plus accrued interest to the date of redemption.

(4) The Company maintains the right to adjust the interest paid in subsequently offered Notes and on the Notes offered hereby with a 30 days' Interest Adjustment Notice. For Notes offered by this Confidential Private Offering Memorandum, the interest paid for the Note will automatically adjust to the amount stated in the Interest Adjustment Notice unless within the 30 day notice period the Noteholder provides a written request to the Company for the Note to be prepaid. If the Noteholder provides such notice within the 30 day notice period, the interest paid on the Note will be unchanged until such time as the Company prepays the Note.

Comment [A51]: Note: Giving the Noteholder an option when there is an Interest Adjustment Notice makes the unilateral interest adjustment more enforceable. Also, because it may not always be feasible to prepay a Note when a Noteholder objects to an interest adjustment, we did not obligate the Company to prepay the Note within a certain time frame. By leaving the interest rate unchanged when there is an objection (demonstrated by requesting prepayment), there is technically no penalty to the Noteholder for making the objection. In reality, the motivation to accept an interest adjustment will not be to avoid a penalty but to avoid an early prepayment that would end the investment opportunity. A court is much more likely to enforce this scheme than a penalty for not accepting a unilateral interest adjustment.

Comment [A52]: DGH, do we still want this condition to the Company's ability to transfer its assets?

The Company has the right to sell, encumber, mortgage, create a lien on or otherwise dispose of any or all of its property, or in any manner secure an indebtedness so that such indebtedness shall have a claim against the assets of the Company securing such indebtedness, all without the consent of the investors of the outstanding Notes provided no Notes are in default. Any security interest granted in any of the Company's assets to secure indebtedness will be superior in priority to the general claim of a Noteholder.

Default may occur with respect to one Note and not another. The Company shall be in default of a particular Note if any of the following events ("Event of Default") occurs with respect to that Note: (a) default for 30 days in any payment of interest on a Note when due; (b) default for 15 days in any payment of principal on a Note when due after maturity; (c) a filing for protection by the Company under Chapters 11 or 7 of the U.S. Bankruptcy Code or a filing for the Company under the U.S. Bankruptcy Code by creditors of the Company which filing is not dismissed within 90 days of the filing date; or (d) default for 90 days after receiving appropriate notice of a breach of any other covenant applicable to a Note. Notwithstanding the events listed above, Mr Chittick may defer any payment of interest or principal due to Mr. Chittick or an entity controlled by him on any of the Notes subscribed to personally by Mr. Chittick without creating an Event of Default.

The Company may not consolidate with or merge into any corporation, or transfer substantially all of its assets to any person, unless the successor corporation or transferee assumes the Company's obligations on the Notes. The Company has no present intention of merging with another company or consolidating with another company or transferring its assets.

PLAN OF DISTRIBUTION

The Notes may be purchased directly from the Company without commission. Notes maturing in two through five years also may be purchased with qualified monies (such as IRA, SEP IRA, ROTH IRA and KEOGH plans) through a licensed broker-dealer and with an approved custodian; provided, that such investments meet the investor suitability requirements. Transaction costs for Notes purchased with qualified funds will be paid by the Company up to one percent of the Note's face amount. The principal amount of the Note will be equal to the amount paid by the investor, and interest would be calculated on that amount.

The Notes are not registered with the SEC or any other state or federal regulatory agency. No state or federal agency has made any finding or determination as to the fairness of this offering for investment, the adequacy or accuracy of the disclosures, or any recommendation or endorsement of the Notes.

The offering and sale of the Notes is intended to be exempt from registration under the Act by virtue of one or more of the following exemptions provided by: (i) Section 4(2) of the Act, and (ii) Regulation D promulgated under the Act. See "Investor Suitability." In accordance therewith, substantial restrictions are placed on the offering and purchase of the Notes, including, but not limited to, the following:

(1) The transaction may not include any public offering. The offer to sell Notes must be directly communicated to the investor by an officer of the Company and at no time may the Company advertise or solicit by means of any leaflet, public promotional meeting, newspaper or magazine article, radio or television advertisement or any other form of general advertising or general promotion.

(2) The Notes may be purchased only for the investor's own account, for investment purposes only and not with a view to distribution, assignment, hypothecation, resale or to fractionalization in whole or in part.

(3) An investor must meet certain suitability requirements, which are set forth under "Investor Suitability."

(4) The Company must have furnished and made available for inspection all documents and information that the investor has reasonably requested relating to an investment in the Company, including its Articles of Incorporation, stock records and financial account records.

DETERMINATION OF OFFERING PRICE

The rate of return for the Notes offered hereby will be set from time to time by management of the Company to approximate a rate of return competitive with similar securities of other companies engaged in the finance industry. The Company has been in operation since April 2001 There is no market for the Company's securities and none is expected to develop. Accordingly, the rate of return on any Note bears no relation to the results of the Company, to any market price for the Company's securities, to the level of risk involved, or to any recognized measure of valuation or return on investment.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of certain U.S. federal tax considerations and consequences that may be relevant to a decision to acquire, own and dispose of Notes by an initial holder thereof. This summary only applies to Notes held as capital assets (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). Except as set forth below, this summary does not address all of the tax consequences that may be relevant to a particular Noteholder and it is not intended to be applicable to Noteholders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, U.S. expatriates, partnerships or other pass-through entities, tax-exempt organizations or dealers or traders in securities or currencies, or to Noteholders that will hold Notes as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes or that have a functional currency other than the U.S. dollar. Moreover, except as set forth below, this summary does not address the U.S. federal estate and gift tax law, the tax laws of any state, local or foreign government or alternative minimum tax consequences of the acquisition, ownership or other disposition of Notes and does not address the U.S. federal income tax treatment of Noteholders that do not acquire Notes as part of the initial distribution at their initial issue price. Each prospective investor should consult its tax advisor, attorney and accountant with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of Notes.

This summary is based on current provisions of the Code, as amended, existing and proposed U.S. Treasury Regulations, current administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. No advance tax ruling has been sought or obtained from the Internal Revenue Service regarding the tax consequences of the transactions described herein. This discussion does not address tax considerations arising under the laws of any particular state, local or foreign jurisdiction.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS, ATTORNEYS AND ACCOUNTANTS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF THEIR PARTICULAR SITUATIONS, AS WELL AS ANY TAX CONSEQUENCES THAT MAY ARISE UNDER THE LAWS OF ANY FOREIGN, STATE, LOCAL OR OTHER TAXING JURISDICTION.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of Notes who for U.S. federal income tax purposes is (i) a citizen or resident (or is treated as a resident for U.S. federal income tax purposes) of the United States; (ii) a corporation created or organized in or under the laws of the United States or any State or political subdivision thereof; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2) (a) the administration over which a U.S court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control. A "Non-U.S. Holder" is a beneficial owner of Notes who for U.S. federal income tax purposes is (i) a non-resident alien individual; (ii) a foreign corporation, or (iii) a foreign estate or trust the fiduciary of which is a nonresident alien.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such partner should consult its own tax advisor as to its consequences of holding and disposing of the Notes.

U.S. Holders

Interest

Except as set forth below, interest paid on a Note generally will be includible in a U.S. Holder's gross income as ordinary interest income at the time it is paid or accrued in accordance with the U.S. Holder's usual method of tax accounting for U.S. federal income tax purposes.

Market Discount

A holder of Notes may in very limited circumstances, transfer their Notes to third parties. If the Company authorizes such a transfer, Notes sold on a secondary market after their original issue for a price lower than their stated redemption price at maturity are generally said to be acquired at market discount. Code Section 1278 defines "market discount" as the excess, if any, of the stated redemption price at maturity of the Note, over the purchaser's initial adjusted basis in the Note. If, however, the market discount with respect to a Note is less than 1/4th of one percent (.0025) of the stated redemption price at maturity of the Note multiplied by the number of complete years to maturity from the date the subsequent purchaser has acquired the Note, then the market discount is considered to be zero. Notes acquired by holders at original issue and Notes maturing not more than one year from the date of issue are not subject to the market discount rules.

Gain on the sale, redemption or other disposition of a Note, including full or partial redemption thereof, having "market discount" will be treated as interest income to the extent the gain does not exceed the accrued market discount on the Note at the time of the disposition. A holder may elect to include market discount in taxable income for the taxable years to which it is attributable. The amount included is treated as interest income. If this election is made, the rule requiring interest income treatment of all or a portion of the gain upon disposition is inapplicable. Once the election is made to include market discount in income currently, it cannot be revoked without the consent of the IRS. The election applies to all market discount notes acquired by the holder on or after the first day of the first taxable year to which such election applies.

Sale, Exchange or Disposition of Notes

A U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to such U.S. Holder, increased by any original issue discount ("OID") or market discount previously included by the holder in income with respect to the Note. Upon the sale, exchange or other disposition of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other disposition (less an amount equal to the accrued but unpaid interest which will be taxable as ordinary income) and such U.S. Holder's adjusted tax basis in the Note. Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder, capital gains derived in respect of a Note that is held as a capital asset and that is held for more than one year are eligible for reduced income tax rates and may be deemed a long-term capital gain. The deductibility of capital losses is subject to limitations.

Non-U.S. Holders

Interest

Subject to the discussion below under the heading "U.S. Backup Withholding and Information Reporting," payments of principal of, and interest on (including any OID), a Note to (i) a controlled foreign corporation, as such term is defined in Section 957 of the Code, which is related to the Company, directly or indirectly, through stock ownership, (ii) a person owning, actually or constructively, securities representing at least more than 50% of the total combined outstanding voting power of all classes of the Company's voting stock and (iii) banks which acquire such Note in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Note provides certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "U.S. Backup Withholding and Information Reporting," or an exemption is otherwise established.

If a Non-U.S. Holder cannot satisfy the requirements above, payments of interest made to a Non-U.S. Holder will be subject to a U.S. withholding tax equal to 30% of the gross payments

made to the Non-U.S. Holder unless the Non-U.S. Holder provides the Company or the Company's paying agent, as the case may be, with a properly executed (1) IRS Form W-8BEN claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty or (2) IRS Form W-8ECI stating that interest paid on the note is not subject to withholding tax because it is effectively connected with the beneficial owner's conduct of a trade or business in the United States. Alternative documentation may be applicable in certain situations.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a note is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from withholding as discussed above (provided the certification requirements described above are satisfied), will be subject to U.S. federal income tax on such interest (including OID) on a net income basis in the same manner as if the Non-U.S. Holder were a U.S. Holder. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lesser rate under an applicable income tax treaty) of such amount, subject to adjustments.

Sale, Exchange or Other Disposition of Notes

Subject to the discussion below under the heading "U.S. Backup Withholding and Information Reporting," any gain realized by a Non-U.S. Holder upon the sale, exchange or other disposition of a Note generally will not be subject to U.S. federal income tax or withholding tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of such sale, exchange or disposition and certain other conditions are met. Special rules may apply upon the sale, exchange or disposition of a Note to certain Non-U.S. Holders, such as "controlled foreign corporations," "passive foreign investment companies," "foreign personal holding companies" and certain expatriates, that are subject to special treatment under the Code. Such entities and individuals should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

U.S. Federal Estate Taxes

A Note that is held by an individual who at the time of death is not a citizen or resident (as specially defined for United States federal estate tax purposes) of the United States will not generally be subject to U.S. federal estate tax as a result of such individual's death, provided that such individual is not a shareholder owning actually or constructively more than 10% of the total combined voting power of all classes of our stock entitled to vote and, at the time of such individual's death, payments of interest with respect to such note would not have been effectively connected with the conduct by such individual of a trade or business in the United States.

U.S. Backup Withholding and Information Reporting

U.S. Holders

Information reporting requirements will apply to certain payments of principal and interest and the accrual of OID, if any, on an obligation and to proceeds of the sale, exchange or other disposition of an obligation, to certain U.S. Holders. This obligation, however, does not apply with respect to certain U.S. Holders including, corporations, tax-exempt organizations, qualified pension and profit sharing trusts and individual retirement accounts. In general, the Company is required to file with the IRS each year a Form 1099 information return reporting the amount of interest that was paid or that is considered earned by a U.S. Holder with respect to the Notes held during each calendar year, and a U.S. Holder is required to report such amount as income on its federal income tax return for that year. A U.S. backup withholding tax currently at a rate of 28% will apply to such payments if a U.S. Holder fails to provide a correct taxpayer identification number or certification of other tax-exempt status or fails to report in full dividend and interest income. Any amount withheld under the backup withholding rules is allowable as a credit against the taxpayer's U.S. federal income tax liability, provided that the required information is furnished to the IRS.

Non-U.S. Holders

Information reporting will generally apply to payments of interest on a Note to a Non-U.S. Holder and the amount of tax, if any, withheld with respect to such payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty. Payments of principal and interest on any Notes to Non-U S. Holders will not be subject to any U.S. backup withholding tax if the beneficial owner of the Note (or a financial institution holding the note on behalf of the beneficial owner in the ordinary course of its trade or business) provides an appropriate certification to the payor and the payor does not have actual knowledge or reason to know, that the certification is incorrect. Payments of principal and interest on Notes not excluded from U.S. backup withholding tax discussed above generally will be subject to United States withholding tax at a rate of 28%, except where an applicable United States income tax treaty provides for the reduction or elimination of such withholding tax.

Comment [A53]: Is this % still accurate today?

In addition, information reporting and, depending on the circumstances, backup withholding, will apply to the proceeds of the sale of a Note within the United States or conducted through United States-related financial intermediaries unless the beneficial owner provides the payor with an appropriate certification as to its non-U.S. status and the payor does not have actual knowledge or reason to know that the certification is incorrect.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE ACQUISITION, OWNERSHIP, DISPOSITION OR RETIREMENT OF THE NOTES. PROSPECTIVE INVESTORS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS, ATTORNEYS AND ACCOUNTANTS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

INVESTOR SUITABILITY

General

An investment in the Notes involves significant risks and is suitable only for persons of adequate financial means who have no need for liquidity with respect to this investment and who can bear the economic risk of a complete loss of their investment. This private placement is made in reliance on exemptions from the registration requirements of the Act and applicable state securities laws and regulations.

The suitability standards discussed below represent minimum suitability standards for prospective investors. The satisfaction of such standards by a prospective investor does not necessarily mean that the Notes are a suitable investment for such prospective investor. Prospective investors are encouraged to consult their personal financial advisors to determine whether an investment in the Notes is appropriate. The Company may reject subscriptions, in whole or in part, in its absolute discretion.

The Company will require each investor to represent in writing, among other things, that (i) by reason of the investor's business or financial experience, or that of the investor's professional advisor, the investor is capable of evaluating the merits and risks of an investment in the Notes and of protecting its own interest in connection with the transaction, (ii) the investor is acquiring the Notes for its own account for investment only and not with a view toward the resale or distribution thereof, (iii) the investor is aware that the Notes have not been registered under the Act or any state securities laws and that there is no market for the Notes, (iv) such investor meets the suitability requirements set forth below and (v) they have read and taken full cognizance of the Risk Factors and other information set forth in this Confidential Private Offering Memorandum.

Suitability Requirements

Except as set forth below, each investor must represent in writing that it: (a) is "sophisticated" in so far as it is sufficiently knowledgeable and experienced in financial and business matters to be able to evaluate the merits and risks of an investment in the Notes either alone or with a purchaser representative; (b) is able to bear the economic risk of an investment in the Notes, including a loss of the entire investment; and (c) qualifies as an "accredited investor," as such term is defined in Rule 501(a) of Regulation D under the Act and must demonstrate the basis for such qualification. To be an accredited investor, an investor must fall within any of the following categories at the time of sale of Notes to that investor:

(1) A bank as defined in Section 3(a)(2) of the Act or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; an insurance company as defined in Section 2(13) of the Act; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; a Small Business Investment Company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

(2) A private business development company as defined in Section 202(a) (22) of the Investment Advisers Act of 1940;

(3) An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the Notes, with total assets in excess of $5,000,000;

(4) Any director, executive officer, or general partner of the Company, or any director, executive officer, or general partner of a general partner of the Company;

(5) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of such person's purchase of the Notes exceeds $1,000,000 (excluding the value of such person's primary residence) (Explanation: when calculating net worth, a person may include his or her equity in personal property and real estate (except a residence), cash, short-term investments, stock and securities. Any inclusion of equity in personal property or real estate should be based on the fair market value of such property less debt secured by such property. The asset side of the calculation may not include the value of the person's residence; the liability side of the calculation may not include the debt secured by the residence, unless the amount of the debt exceeds the value of the residence, in which case that excess portion must be counted as a liability in calculating net worth);

(6) Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(7) Any trust with total assets in excess of $5,000,000 not formed for the specific purpose of acquiring the Notes, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D; and

(8) An entity in which all of the equity owners are accredited investors (as defined above).

As used in this Memorandum, the term "net worth" means the excess of total assets over total liabilities. In determining income an investor should add to the investor's adjusted gross income any amounts attributable to tax exempt income received, losses claimed as limited partner in any limited partnership, deductions claimed for depletion, contributions to an IRA, KEOGH, SEP IRA or ROTH IRA retirement plan, alimony payments, and any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income.

Exhibit 23

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, vs. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, Husband and Wife, Defendants.	)	NO. CV2017-013832

VIDEOTAPED DEPOSITION OF DANIEL ALLEN SCHENCK

Phoenix, Arizona
June 19, 2018
9:05 a.m.

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

PREPARED FOR:

he was going to heed it. And that's just it.

Q. If he was wiring money to the borrower --

A. Okay.

Q. -- that would be a very material fact for an investor. True?

A. I can't say that.

Q. You can't say that?

How did the first fraud take place?

MR. DeWULF: Object to form.

THE WITNESS: Well, there was a problem with the way that he was sending the money to him.

Q. (BY MR. CAMPBELL) He was wiring the money to the borrower, correct?

A. Right.

Q. And that allowed Mr. Menaged or his cousin to hold the money, fund the property from another lender --

A. Uh-huh.

Q. -- and steal the money that he got from DenSco --

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) -- right?

A. That sound like the scenario that happened, but, again, I don't know all the facts on it. But I -- I guess my concern with the way you have worded the question is it's assuming that we knew that Denny was not going to

change his practices and that he was still going to continue to do it that way, and we did not know what Denny was going to do still going forward with his practices.

Q. How do you draft a private offering memorandum without knowing that?

A. Well, that's when this is a draft and we are identifying some of the first issues that needed to be identified. But then we are going to have to go, you know, confirm with the client if it's still accurate.

Q. Turn to Exhibit No. 4 again. This is the Rule 26.1 statement from your law firm.

A. Okay.

Q. Turn to page 14. You will see on line 19 --

A. Yes.

Q. -- it starts, and let me see if I can quote this correctly: Mr. Beauchamp and his associate, Daniel Schenck, began drafting the updated POM in April and May 2014. Specifically, the draft 2014 POM would have: Provided a description of the Forbearance Agreement (including all the parties' funding obligations), the reason it was necessary, its effect on DenSco's books; updated DenSco's goals for intended loan-to-value ratios; updated the descriptions regarding DenSco's loan funding and securitization procedures; updated the number of loan defaults triggering foreclosure; and amended the

private offering memorandum you drafted?

A. As I sit here today, I don't know. And part of it could have been I didn't know if the practices were changing or not. Again, this was a first draft.

Q. Did Mr. Beauchamp ever come to you and tell you he had terminated DenSco as a client?

A. Yes.

Q. When did he do that?

A. It probably was within a week or a couple weeks at least -- I'm trying to frame up -- after this initial draft was, I think gave it to David, and then I think he then was working with Denny on, you know, starting to fill it in more and to update it with the correct information and such. It was around that time period.

Q. So you think -- we know from your billing records that you gave it to Mr. Beauchamp on May 14th, so you think within one week, by May 21st, Mr. Beauchamp came to you and said we are terminating DenSco as a client?

MR. DeWULF: I think that's a mischaracterization of what he said, Counsel. I'll object to form.

MR. CAMPBELL: Let him say -- he can correct me if I'm wrong.

THE WITNESS: Okay. I would say it was probably within days or weeks after that. I don't -- I can't

pinpoint when it was.

Q. (BY MR. CAMPBELL) Days or weeks?

A. Yeah.

Q. How many times have you terminated a client?

A. Me? Only a handful of times.

Q. How many times has a partner come to you and said we are terminating a client, cease work?

A. Just a handful of times.

Q. What are Clark Hill's procedures when a client is terminated?

A. I don't know that there are actually set procedures on -- firm-wide on how to do that.

Q. Do you terminate work?

A. Since this, I have done a couple of that, yeah.

Q. So once Mr. Beauchamp came and talked to you, you did no further work on the case?

A. No, I don't think that would be accurate.

Q. How can you terminate a client and do no further work for them and then continue working for them?

A. Well, I think on this particular situation, I think we understood that we were no longer representing them and going to continue this, but that it would be handed off to another counsel.

So we were trying essentially to put it in the best shape possible so that the new counsel that was going

BE IT KNOWN that the foregoing proceeding was taken before me; that the witness before testifying was duly sworn by me to testify to the whole truth; that the questions propounded to the witness and the answers of the witness thereto were taken down by me in shorthand and thereafter reduced to typewriting under my direction; that the foregoing is a true and correct transcript of all proceedings had upon the taking of said deposition, all done to the best of my skill and ability.

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

[ ] Review and signature was requested.
[ ] Review and signature was waived.
[X] Review and signature was not requested.

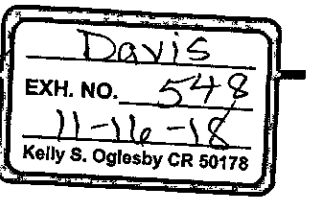
I CERTIFY that I have complied with the ethical obligations in ACJA Sections 7-206(F)(3) and 7-206-(J)(1)(g)(1) and (2).

Kelly Sue Oglesby _____ 7/3/2018
Kelly Sue Oglesby Date
Arizona Certified Reporter No. 50178

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

_____ 7/3/2018
JD REPORTING, INC. Date
Arizona Registered Reporting Firm R1012

Exhibit 24



From: Denny Chittick <dcmoney@yahoo.com>
Sent: Tuesday, February 11, 2014 8:57 AM
To: Scott Menaged
Subject: Re:

12%
interest can be paid monthly , quarterly.

however, i 've not taken any new investors, so if i do, i have to disclose a loto to them, which is all about you!

i might have 500k in from someone, know soon.

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: Scott Menaged <smena98754@aol.com>
To: Denny <dcmoney@yahoo.com>
Sent: Tuesday, February 11, 2014 8:54 AM
Subject:

What are you paying your investors? I have a couple people I can call to see if I can get them to invest with you. They are family and the family rule is we don't so business together to keep everything good! However I know they have funds they have been looking to put somewhere

Sent from my iPhone

Exhibit 25

DenSco / Workout

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Tuesday, February 04, 2014 9:02 PM
To: Denny
Subject: RE: Attached Redline of Forbearance Agreement

Denny:

Before we all get into a room, you and I need to make sure that we have a clear understanding of what you can do and what you cannot do without going back to all of your investors for approval. We have a deal that works for you and your investors and is fair to Scott. Now Jeff is trying to better the deal for Scott, but you already have been more than generous trying to help Scott out of Scott's problem. Again, this goes back to Jeff not acknowledging that this is Scott's problem and instead insisting that this is your problem because you did not make sure that Scott handled the loans properly and that you did not take the necessary actions so that DenSco had a first lien on each of the properties. As Jeff said to me, why did Denny do it this way (pay Scott directly) and why did DenSco not get title insurance if Denny wanted to be in first position? Those are not questions to clarify a point, but rather to change the underlying understanding of who created this problem. Jeff is trying to have you think that you have significant responsibility for creating this problem as opposed to this being created by Scott's cousin working for Scott. Hopefully, my poor attempts to explain the difference in perspective are sufficient for you to understand it.

Over the last ten years, I have prepared far in excess of 100 (if not closer to 200) forbearance agreements for various institutional and private lenders. There are certain standard issues that have evolved over the years. **[PLEASE UNDERSTAND THAT AT YOUR REQUEST, I DID NOT INCLUDE ANY HARSH OR SIGNIFICANTLY PRO-LENDER PROVISIONS.]** Accordingly, there is nothing included to give and trade over small issues. I already did not include them. **These changes from Jeff are cutting muscle and bone that are needed to protect you.**

For example, did you agree to NOT have Scott pay your attorneys' fees? If so, that will be the first time that I have ever seen the legal fees for the preparation of a Forbearance Agreement to not be paid by the Borrower.

I have also never seen a forbearance not include a cross-default provision to other obligations of the Borrower to the lender.

I have also never seen some of the other changes that Jeff inserted. For example, the changes require you to defend yourself against any other lender which has a conflicting lien one of Scott's properties, even though Scott's office created this problem by having two lenders loan on the same property. In a forbearance, the Borrower takes full responsibility for the problems created and what needs to be done to resolve the problem. Jeff is trying to make you feel that you are guilty so you have to assume a significant responsibility in the agreement to share in Scott's problem, but nobody stole the money from you. You can help and have helped Scott, but you cannot OBLIGATE DenSco to further help Scott, because that would breach your fiduciary duty to your investors.

Best, David
David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny [mailto:dcmoney@yahoo.com]
Sent: Tuesday, February 04, 2014 8:30 PM

To: Beauchamp, David G.
Subject: Re: Attached Redline of Forbearance Agreement

This is degrading in to a quagmire to which I never would have imagined. I will talk to scott and it looks like we will have to get in a room and beat this whole thing out.

Sent from my iPad

On Feb 4, 2014, at 7:27 PM, "Beauchamp, David G." <DBeauchamp@ClarkHill.com> wrote:

Denny:

I cannot promise you that this redline captures all of the changes, but it seems to have all of the changes that I have identified by comparing Jeff's version of the agreement to the version that I sent.

Please review this and let me know when you might have time to discuss these changes and what did you discuss with Scott.

With respect to the language concerning the first lien, you and I had discussed including that after I looked at the mortgage document that contained that express obligation. You had said to leave it in, but Jeff has taken that language out and only left in the delayed interest payment. Unfortunately, Jeff has previously said that he could defeat any default claim based on no current interest payments, because you had offered to defer interest when Scott came to you about this problem. Again, Jeff is trying to take advantage of you because you are trying to help Scott. Since Scott was only concerned about referencing DenSco's rights to first lien position due to potential litigation being filed by Dan's group against Scott, that should no longer be an issue.

Although I have asked for this and we have discussed this several times, we still do not have an actual copy of any of the loan documents for any of the loans that you made to Scott that are the subject of this problem. This is really important for many different reasons, but a key reason is the "guarantee" at the bottom of the note that Scott signed.

Best, David

David G. Beauchamp

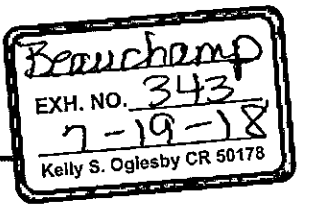
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: phxcanoncolor@clarkhill.com [mailto:phxcanoncolor@clarkhill.com]
Sent: Tuesday, February 04, 2014 6:52 PM
To: Schenck, Daniel A.; Beauchamp, David G.
Subject: Attached Image

FEDERAL TAX ADVICE DISCLAIMER: Under U. S. Treasury Regulations, we are informing you that, to the extent this message includes any federal tax advice, this message is not intended or written by the sender to be used, and cannot be used, for the purpose of avoiding federal tax penalties.

<3640_001.pdf>

Exhibit 26



Message

From: Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]
Sent: 2/7/2014 6:44:53 PM
To: Denny J. Chittick (dcmoney@yahoo.com) [dcmoney@yahoo.com]
Subject: FW: Workshare Professional Document Distribution
Attachments: #200131428v8_ClarkHill_ - Forbearance Agreement (8).DOCX; Forbearance_Ag.Densco(5) - Forbearance Agreement (8).pdf; Forbearance_Ag.Densco(6) - Forbearance Agreement (8).pdf

Denny:

Please note that I changed my previous parenthetical change to Recital G as follows: (though Guarantor acknowledged no fault). The previous language could be construed that you also agreed that Scott was not at fault. Since Jeff will not allow us to put the facts of what happened in this document, you need to be protected if you subsequently learn that something different happened. You should not waive your rights without having a sworn set of facts that you can rely upon.

So do not send the previous draft to Scott, please send the attached version of the redline from 6 to 8, which is the last document listed above.

All the best, David

David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Beauchamp, David G.
Sent: Friday, February 07, 2014 7:37 PM
To: Goulder, Jeffrey (jeffrey.goulder@stinsonleonard.com)
Cc: Denny J. Chittick (dcmoney@yahoo.com)
Subject: Workshare Professional Document Distribution

Jeff

Based on your previous changes, the Forbearance Agreement would be prima facia evidence that Denny Chittick had committed securities fraud because the loan documents he had Scott sign did not comply with DenSco's representations to DenSco's investors in its securities offering documents. Unfortunately, this agreement needs to not only protect Scott from having this agreement used as evidence of fraud against him in a litigation, the agreement needs to comply with Denny's fiduciary obligations to his investors as well as not become evidence to be used against Denny for securities fraud.

The previous version that I had sent to you was basically a complete rewrite of our standard forbearance agreement that I have used in almost 200 forbearance agreements over the last 10 years The previous version that I sent to you was intended to be as fair as possible while setting forth all of the business points that both Denny and Scott had told me in a meeting and over several conference calls (Scott specifically did agree to

pay all costs and related costs in this matter. Scott also proposed and agreed to the $10 million life insurance policy, because they now believe that the outstanding loan balance will be much higher than the previous estimate. The higher loan balance will result in a significant unsecured portion if anything happens to Scott and the Properties are liquidated.)

In addition to the business points, we had intended to make the document as balanced as possible. We wanted the document to set forth the necessary facts for Denny to satisfy his securities obligations to his investors (including that the original loans had to have been written and secured by a first lien on real property and that the workout agreed to by Denny complied with his workout authorization) without having Scott have to admit facts that could cause trouble to him. I had been informed that since "Dan's litigious group" had agreed to get paid off, Scott was not as concerned with stating facts and legal conclusions in the document, but your changes indicated that you are still very concerned. If you do not want the conclusions to be stated in the document, then we have to use another approach.

To try to balance the respective interests, I have inserted sections from the loan documents into the Forbearance Agreement. Referencing the language of the Loan Documents is needed to satisfy Denny's fiduciary obligations, but I have also modified the other provisions so that Borrower is not admitting that it was required to provide first lien position in connection with the loans. Further, I have inserted a parenthetical that "(though Guarantor acknowledged no fault)" in the section where Guarantor (Scott) advises Denny of the additional liens on the Properties. We are also using the Borrower's failure to subordinate or remove the additional liens in 10 days as the applicable default.

Bottom line: Borrower does not admit that the existing loans were to be secured in first lien position, nor that the modified loans will be in first lien position. However, Borrower will obtain a lender's title insurance policy in favor of Lender that will insure Lender in first lien position as the other liens are extinguished on each Property (unless DenSco is paid off). Correspondingly, the respective provisions in the Loan Documents are referenced to satisfy Denny's fiduciary duties to his investors and the Default is acknowledged so that this workout is consistent with the limitations of the scope of Denny's authority.

Sincerely, David

The following files have been attached to this mail by Workshare Professional .

#20013 1428v8_ClarkHill_ - Forbearance Agreement (8).DOCX (WORDX)
Forbearance_Ag.Densco(5) - Forbearance Agreement (8).pdf (PDF)

David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602 319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

please contact us immediately at the telephone number shown above and take immediate steps to delete the message completely from your computer system. Thank you.

IRS Circular 230 Disclosure: To ensure compliance with the requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended for or written to be used, and cannot be used, for the purpose of (a) avoiding any penalties under the Internal Revenue Code or (b) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("**Agreement**") is executed on February __, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company("**EI**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("**Borrower**"), Yomtov "Scott" Menaged ("**Guarantor**"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("**New Guarantor**"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("**Lender**"), whose address is 6132 W Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties"). (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined).

Recitals

The following recitals of fact are a material part of this Agreement

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan.

B. Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender

C. Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain Deed of Trust and Assignment of Rents (each a "Deed of Trust", and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A. The Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents"

D Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan... . Borrower has delivered to Lender a promissory note and deed

of trust, and Borrower agrees that the deed of trust that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

E. Each Deed of Trust provides as follows.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, BORROWER AGREES:

. . . .

5. Borrower shall promptly discharge any lien in which has priority over this Deed of Trust unless Borrower. (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender, (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of lien, or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, Lender may give Borrower a notice identifying the lien Borrower shall satisfy the lien or take one or more actions set forth within 10 days of the beginning of the notice.

F Each Note provides as follows:

" A "Default" shall occur (i) . . or (vi) upon the occurrence of any default under any obligation of Maker to Holder Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note)

G. On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property

H At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

I The Loans are now in Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default

J Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower, Guarantor and New Guarantor acknowledge the existing Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

NOW THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1 **Loans Balance**. The total sum now due and payable under the Loans, in aggregate, is approximately $_____, consisting of $ _____in principal, $ _____ in accrued interest (through and including February 1, 2014), $ _____ advanced by Lender in payment of costs and expenses as permitted under the Loans Documents and approximately $_____ in costs and expenses incurred by Lender for collection and enforcement of the Loans Interest continues to accrue under the Loans at the rate of 18 % per annum as provided in the Notes (as opposed to the Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default**. Borrower, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in Default, and that as a result of such Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law.

3 **Continued Effect of Loans Documents**. Borrower, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower, Guarantor and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property.

4 **Forbearance by Lender on Conditions; Effect of Breach** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any

covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2015, provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6 **Borrower's Actions**. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to (i) liquidate other assets, which is expected to generate approximately $4 to $5 million US Dollars, (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein)

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of ____ or better from _____) and reasonably approved by Lender, in the amount of $10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been fully satisfied

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees

of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

(D) Borrower agrees to provide Lender with a separate corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms

(F) Borrower has arranged for private outside financing (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule (i) approximately $1,000,000 on or before March 20, 2014, and (ii) approximately $____ on or before _____ ____, 2014 Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein),

(G) Borrower has agreed to inform Lender of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. Lender agrees to keep such information on a confidential basis, provided, however, Lender will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals on a confidential basis.

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to used its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations

to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral.

(L) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or reasonable attorneys' fees, incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors), the default of Borrower in connection with the Loans Documents, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders.

7. **Lender's Actions**. Subject to the full compliance of Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender The additional funds advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan").

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement, Lender will defer the right to charge the Default Interest rate which is permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with its respective obligations under this Agreement, Borrower shall then be liable for Default Interest at the Default Interest rate set forth in the Loan Documents on all outstanding Notes.

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand

9. **Grace and Cure Periods**. If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within five (5) business days of receiving email or telephonic notice from Lender No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

10 **Release of Lender; Waiver of Claims and Defenses**. As a material part of the consideration for Lender's execution of this Agreement, Borrower, Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11. **Further Documents** Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement

12. **Authorization of Agreement**. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution.

13. **Costs and Expenses** Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing

14. **Time of the Essence** Time is of the essence of all agreements and obligations contained herein.

15. **Construction of Agreement**. If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents.

16 **Ratification and Agreements by Guarantor**. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

17. **Entire Agreement; No Oral Agreements Concerning Loans**. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower, Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower, Guarantor or New Guarantor under any circumstances.

18. **Ratification of Workout** The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately $_ _____, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

Borrower:

ARIZONA HOME FORECLOSURES, LLC

By:_____
Yomtov "Scott" Menaged
Its Member

EASY INVESTMENTS, LLC

By:_____
Yomtov "Scott" Menaged
Its: Member

Guarantor:

_____
Yomtov "Scott" Menaged

New Guarantor.

FURNITURE KING, LLC

By._____
Yomotov "Scott" Menaged
Its Manager

Lender:

DENSCO INVESTMENT CORPORATION

By:_____
Denny Chittick
Its: President

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this___ day of ___ _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

DB04/1003619.0002/10352141.3

200131428.8 43930/168850

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires:

_____

DB04/1003619.0002/10352141.3

200131428.8 43930/168850

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires

_____

DB04/1003619.0002/10352141.3

200131428.8 43930/168850

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____ , 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

DB04/1003619.0002/10352141 3

200131428.8 43930/168850

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("**Agreement**") is executed on February __, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company("**EI**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("**Borrower**"), Yomtov "Scott" Menaged ("**Guarantor**"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("**New Guarantor**"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("**Lender**"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties") (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined).

Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by ~~certain promissory notes,~~a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan. ~~[DAVID – PLEASE PROVIDE EXHIBIT A]~~

B. Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender.

C. ~~The~~Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain ~~Deeds~~Deed of Trust and Assignment of Rents (each a "Deed of Trust", and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A The ~~Note,~~Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents"

D. ~~Certain of the Properties were also used as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on the respective~~

~~Property~~ Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan. . . . Borrower has delivered to Lender a promissory note and deed of trust, and Borrower agrees that the deed of trust that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

E. Each Deed of Trust provides as follows:

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, BORROWER AGREES:

. . . .

5. Borrower shall promptly discharge any lien in which has priority over this Deed of Trust unless Borrower. (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender, (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of lien, or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more actions set forth within 10 days of the beginning of the notice.

F. Each Note provides as follows.

" A "Default" shall occur (i) . . . . or (vi) upon the occurrence of any default under any obligation of Maker to Holder. Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note).

G. On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property.

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

~~H~~I. The Loans are now in ~~default~~Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such ~~default~~Default.

~~I~~J. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower ~~and~~, Guarantor and New Guarantor acknowledge the existing ~~default~~Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower ~~and~~, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

NOW THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **Loans Balance**. The total sum now due and payable under the Loans, in aggregate, is approximately $_____ , consisting of $ _____ in principal, $ _____ in accrued interest (through and including ~~_____~~ February 1, 2014), $_____ advanced by Lender in payment of ~~_____~~ costs and expenses as permitted under the Loans Documents and approximately $_____ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of ~~_____~~ 18 % per annum as provided in the Notes (as opposed to the ~~default~~Default Interest rate set forth in the Notes).

2 **Acknowledgment of Default**. Borrower ~~and~~, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in ~~default~~Default, and that as a result of such ~~default~~Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law

3 **Continued Effect of Loans Documents**. Borrower ~~and~~, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower ~~and~~, Guarantor ~~'s knowledge~~ and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower ~~and/or~~, Guarantor or New Guarantor as described in the Loans Documents ~~—~~ and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property.

4. **Forbearance by Lender on Conditions; Effect of Breach**. Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower ~~and~~, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower ~~or~~, Guarantor ~~fail~~or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the ~~Loan~~Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity**. Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing ~~default~~Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, ~~2016~~2015; provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6 **Borrower's Actions**. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately $4 to $5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of ____ or better from _____) and reasonably approved by Lender, in the amount of $~~5,000,000~~10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been ~~full~~fully satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement. ~~[DAVID – PLEASE PROVIDE COPIES OF THESE DOCUMENTS.]~~

(D) Borrower agrees to provide Lender with a separate ~~personal~~corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms

(F) Borrower has arranged for private outside financing ~~in the amount of approximately $1,000,000~~ (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule: (i) approximately $1,000,000 on or before March 20, ~~2014~~2014; and (ii) approximately $ _____ on or before _____, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein),

(G) Borrower has agreed to inform Lender of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. Lender agrees to keep such information on a confidential basis, provided, however, Lender will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals on a confidential basis.

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to used its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(~~I~~J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral.

(L) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or reasonable attorneys' fees, incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors), the default of Borrower in connection with the Loans Documents, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders~~, up to a total of $_____~~.

7. **Lender's Actions**. Subject to the full compliance of ~~the~~ Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds ~~advance~~advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan")

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement~~.~~, Lender will ~~waive~~defer the right to charge the ~~default~~Default Interest rate which is ~~or may be~~ permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with ~~these~~its

respective obligations~~, however, it~~ under this Agreement, Borrower shall then be liable for ~~interest~~Default Interest at the ~~default~~Default Interest rate set forth in the Loan Documents on all outstanding Notes.

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand.

~~9. Additional Collateral Required. [Already covered above]~~

9. **Grace and Cure Periods**. If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within five (5) business days of receiving ~~written demand from Lender~~email or telephonic notice from Lender. No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

10. **Release of Lender; Waiver of Claims and Defenses**. As a material part of the consideration for Lender's execution of this Agreement, Borrower ~~and~~, Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11. **Further Documents**. Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

12. **Authorization of Agreement**. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of

Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution

13 **Costs and Expenses** ~~**ALREADY COVERED BY ¶ 6(K).**~~Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing.

~~13.~~14. **Time of the Essence**. Time is of the essence of all agreements and obligations contained herein

~~14.~~15. **Construction of Agreement**. If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents

~~15.~~16. **Ratification and Agreements by Guarantor**. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise), agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance, ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

~~16.~~17. **Entire Agreement; No Oral Agreements Concerning Loans**. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the

Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower ~~and~~, Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower ~~or~~, Guarantor or New Guarantor under any circumstances.

~~17~~18. **Ratification of Workout** The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower ~~and~~, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November ~~____~~27, 2013, to the date first stated above, regarding and /or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties, with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately $_____, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower ~~and~~, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

Borrower:

ARIZONA HOME FORECLOSURES, LLC

By:_____
Yomtov "Scott" Menaged
Its: Member

EASY INVESTMENTS, LLC

By:_____
Yomtov "Scott" Menaged
Its. Member

Guarantor:

_____
Yomtov "Scott" Menaged

New Guarantor.

FURNITURE KING, LLC

By _____
Yomotov "Scott" Menaged
Its Manager

Lender:

DENSCO INVESTMENT CORPORATION

By:_____
Denny Chittick
Its President

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires:

_____ _____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

Notary Public

My Commission Expires:

DB04/1003619.0002/10352141 3

~~20013142 8.5~~20013142 8.8 43930/168850

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this _ _ day of _____, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_ _ _____

Document comparison by Workshare Compare on Friday, February 07, 2014 7:09:25 PM

Input:	
Document 1 ID	interwovenSite://DETDMS1/ClarkHill/200131428/5
Description	#200131428v5<ClarkHill> - Forbearance_Ag Densco(5)
Document 2 ID	interwovenSite://DETDMS1/ClarkHill/200131428/8
Description	#200131428v8<ClarkHill> - Forbearance Agreement (8)
Rendering set	standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	112
Deletions	64
Moved from	1
Moved to	1
Style change	0
Format changed	0
Total changes	178

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("**Agreement**") is executed on February __, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company("**EI**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("**Borrower**"), Yomtov "Scott" Menaged ("**Guarantor**"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("**New Guarantor**"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("**Lender**"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties"). (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined)

Recitals

The following recitals of fact are a material part of this Agreement

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan.

B Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender.

C. Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain Deed of Trust and Assignment of Rents (each a "Deed of Trust", and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A The Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents"

D. Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan Borrower has delivered to Lender a promissory note and deed of trust, and Borrower agrees that the deed of trust that the deed of trust shall be recorded against

the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed "

E. Each Deed of Trust provides as follows

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, BORROWER AGREES:

5 Borrower shall promptly discharge any lien in which has priority over this Deed of Trust unless Borrower (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of lien, or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, Lender may give Borrower a notice identifying the lien Borrower shall satisfy the lien or take one or more actions set forth within 10 days of the beginning of the notice

F Each Note provides as follows.

" A "Default" shall occur (i) or (vi) upon the occurrence of any default under any obligation of Maker to Holder Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived " ("Default" shall have the meaning set forth in the Note)

G On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property, ~~as required by the Loans Documents as indicated above~~

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

I The Loans are now in Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default

J Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower, Guarantor and New Guarantor acknowledge the existing Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

NOW THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows·

1. **Loans Balance**. The total sum now due and payable under the Loans, in aggregate, is approximately $___ , consisting of $ __ _ ____in principal, $_____ in accrued interest (through and including February 1, 2014), $_____ advanced by Lender in payment of costs and expenses as permitted under the Loans Documents and approximately $_____ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of 18 % per annum as provided in the Notes (as opposed to the Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default** Borrower, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in Default, and that as a result of such Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law

3. **Continued Effect of Loans Documents**. Borrower, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower, and Guarantor ~~and New Guarantor~~ in accordance with their respective terms, and that to the collective knowledge of Borrower, Guarantor and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property

4 **Forbearance by Lender on Conditions; Effect of Breach**. Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any

covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity**. Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2015; provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6 **Borrower's Actions**. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled·

(A) Borrower agrees to use its good faith efforts to· (i) liquidate other assets, which is expected to generate approximately $4 to $5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of ____ or better from _____) and reasonably approved by Lender, in the amount of $10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been fully satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees

of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement

(D) Borrower agrees to provide Lender with a separate corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms

(F) Borrower has arranged for private outside financing (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule· (i) approximately $1,000,000 on or before March 20, 2014; and (ii) approximately $_____ on or before _____ ____, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein),

(G) Borrower has agreed to inform Lender of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. Lender agrees to keep such information on a confidential basis, provided, however, Lender will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals on a confidential basis.

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to used its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to

Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(~~J~~K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create ~~first and prior liens, as applicable, upon and/or security interests in the~~the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral

(~~K~~L) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or reasonable attorneys' fees, ~~reasonably~~ incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors), the default of Borrower in connection with the Loans Documents, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders.

7 **Lender's Actions**. Subject to the full compliance of Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan").

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement, Lender will defer the right to charge the Default Interest rate which is permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with its respective obligations under this Agreement, Borrower shall then be liable for Default Interest at the Default Interest rate set forth in the Loan Documents on all outstanding Notes

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand.

9. **Grace and Cure Periods**. If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within five (5) business days of receiving email or telephonic notice from Lender. No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly

10. **Release of Lender; Waiver of Claims and Defenses**. As a material part of the consideration for Lender's execution of this Agreement, Borrower, Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11 **Further Documents**. Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

12 **Authorization of Agreement**. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution

13. **Costs and Expenses**. Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective

foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing

14. **Time of the Essence**. Time is of the essence of all agreements and obligations contained herein.

15. **Construction of Agreement**. If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents

16. **Ratification and Agreements by Guarantor**. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise), agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

17 **Entire Agreement; No Oral Agreements Concerning Loans**. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower, Guarantor and New Guarantor with all terms and conditions of this Agreement Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by

negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower, Guarantor or New Guarantor under any circumstances.

18. **Ratification of Workout**. The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately $__ _____, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written

Borrower

ARIZONA HOME FORECLOSURES, LLC

By _____
Yomtov "Scott" Menaged
Its. Member

EASY INVESTMENTS, LLC

By _____
Yomtov "Scott" Menaged
Its Member

Guarantor:

_____
Yomtov "Scott" Menaged

New Guarantor:

FURNITURE KING, LLC

By: _____
Yomotov "Scott" Menaged
Its: Manager

Lender:

DENSCO INVESTMENT CORPORATION

By. _____
Denny Chittick
Its: President

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this_ _ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires.

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires.

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires:

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires

_____

Document comparison by Workshare Compare on Friday, February 07, 2014 7:43:06 PM

Input:	
Document 1 ID	interwovenSite://DETDMS1/ClarkHill/200131428/6
Description	#200131428v6<ClarkHill> - Forbearance_Ag.Densco(6)
Document 2 ID	interwovenSite://DETDMS1/ClarkHill/200131428/8
Description	#200131428v8<ClarkHill> - Forbearance Agreement (8)
Rendering set	standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	15
Deletions	9
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	24

Exhibit 27

DenSco / Workout

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Sunday, February 09, 2014 9:13 PM
To: 'dcmoney@yahoo.com'
Cc: Beauchamp, David G.
Subject: Re: Status

Denny:

Your point is understood. If possible, please recognize and understand that you will "use" the document even if you and Scott never refer to it again. It has to have the necessary and essential terms to protect you from potential litigation from investors and third parties.

Best, David

David G. Beauchamp
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Sunday, February 09, 2014 09:05 PM
To: Beauchamp, David G.
Subject: Re: Status

i trust that we are in balance and i have even more confidence that scott andi can solve this problem with out issue and we never have to use the document that we've worked so long on getting completed!

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: "'dcmoney@yahoo.com'" <dcmoney@yahoo.com>
Cc: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>

Sent: Sunday, February 9, 2014 8:56 PM
Subject: Re: Status

Denny:

Please understand that you are limited in what risk or liability you can assume. Your fiduciary duty to your investors makes this a difficult balancing act.

All the best, David

David G. Beauchamp
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Sunday, February 09, 2014 08:45 PM
To: Beauchamp, David G.
Subject: Re: Status

i hope that we can get it resolved without leaving a huge liability or risk on the table. that's all scott said.
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: "'dcmoney@yahoo.com'" <dcmoney@yahoo.com>
Cc: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
Sent: Sunday, February 9, 2014 8:43 PM
Subject: Re: Status

Denny:

How can we be finally making progress when my litigation partner said I gave away the store? Other than the business points that Jeff tried to change, I do not see what else we can give up in the Agreement.

Did Scott share any other information?

Best, David

David G. Beauchamp
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Sunday, February 09, 2014 08:34 PM
To: Beauchamp, David G.
Subject: Re: Status

i heard from scott, jeff read it, all scott said was jeff said "now we are making progress"

scott has a meeting with jeff tomrorow morning.

i thought that was good
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: "'dcmoney@yahoo.com'" <dcmoney@yahoo.com>
Cc: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
Sent: Sunday, February 9, 2014 8:28 PM
Subject: Status

Denny:

Anything happen this weekend?

Best, David

David G. Beauchamp
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

LEGAL NOTICE: This e-mail is for the exclusive use of the intended recipient(s), and may contain privileged and confidential information. If you are not an intended recipient, please notify the sender, delete the e-mail from your computer and do not copy or disclose it to anyone else. Your receipt of this message is not intended to waive any applicable privilege. Neither this e-mail nor any attachment(s) establish an attorney-client relationship, constitute an electronic signature or provide consent to contract electronically, unless expressly so stated by a Clark Hill attorney in the body of this e-mail or an attachment.

FEDERAL TAX ADVICE DISCLAIMER: Under U. S. Treasury Regulations, we are informing you that, to the extent this message includes any federal tax advice, this message is not intended or written by the sender to be used, and cannot be used, for the purpose of avoiding federal tax penalties.

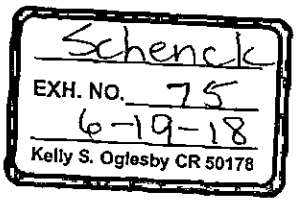
LEGAL NOTICE: This e-mail is for the exclusive use of the intended recipient(s), and may contain privileged and confidential information. If you are not an intended recipient, please notify the sender, delete the e-mail from your computer and do not copy or disclose it to anyone else. Your receipt of this message is not intended to waive any applicable privilege. Neither this e-mail nor any attachment(s) establish an attorney-client relationship, constitute an electronic signature or provide consent to contract electronically, unless expressly so stated by a Clark Hill attorney in the body of this e-mail or an attachment.

FEDERAL TAX ADVICE DISCLAIMER: Under U. S. Treasury Regulations, we are informing you that, to the extent this message includes any federal tax advice, this message is not intended or written by the sender to be used, and cannot be used, for the purpose of avoiding federal tax penalties.

LEGAL NOTICE: This e-mail is for the exclusive use of the intended recipient(s), and may contain privileged and confidential information. If you are not an intended recipient, please notify the sender, delete the e-mail from your computer and do not copy or disclose it to anyone else. Your receipt of this message is not intended to waive any applicable privilege. Neither this e-mail nor any attachment(s) establish an attorney-client relationship, constitute an electronic signature or provide consent to contract electronically, unless expressly so stated by a Clark Hill attorney in the body of this e-mail or an attachment.

FEDERAL TAX ADVICE DISCLAIMER: Under U. S. Treasury Regulations, we are informing you that, to the extent this message includes any federal tax advice, this message is not intended or written by the sender to be used, and cannot be used, for the purpose of avoiding federal tax penalties.

Exhibit 28



Den Sec / Workout

Beauchamp, David G.

From:	Beauchamp, David G.
Sent:	Friday, February 14, 2014 11:17 PM
To:	'dcmoney@yahoo.com'
Cc:	Beauchamp, David G.
Subject:	Re: Denny: Please Read This But do NOT Share with Scott: Attorney Client Privileged!!!

Denny:

The current agreement still protects you under most circumstances, but there is no room to make any concessions. We need to know all of their issues before there is any more "negotiation.".

With all due respect, Scott is letting Jeff "play us" to change the deal after Scott had said that Scott and you had a deal and we needed to work together to get the paperwork done.

NOTE: We cannot threaten to go to the Maricopa County Prosecutor's office if Scott does not sign the agreement, because that would be a classic case of extortion. I had a client threaten to do that once in a fit of frustration and it created a real problem.

Best, David

David G. Beauchamp
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Friday, February 14, 2014 10:02 PM
To: Beauchamp, David G.
Subject: Re: Denny: Please Read This But do NOT Share with Scott: Attorney Client Privileged!!!

i understand the situation. i undestand i need to protect myself and my responsiblity to my investors. at this point i dont' think i've jeopardized any of that. an agreement has to be reached between scott and my self, which protects me and my investors and allows scott and i to solve the problem created by scott. what do you recommend to do?
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Friday, February 14, 2014 7:48 PM
Subject: Denny: Please Read This But do NOT Share with Scott: Attorney Client Privileged!!!

Denny:

Since I did not talk to either Jeff or Scott concerning their last requests, did you not convey what issues you were willing to agree to or did Scott not want to understand what you told him after you and I talked? The changes I made were exactly as you and I had discussed. Every time that Scott has gone to you after talking to Jeff, you are only told half of the story and less than half of the negative impact for you from a change they request. *******So Scott and Jeff believe with both of us in the room, that they will push you to reach an agreement over my objections and you will not listen to me. As Jeff told me, Scott has previously told Jeff that you will do anything to avoid litigation, so Jeff said that I am in a bad negotiation position. Jeff clearly thinks he can force you to agree to accept a watered down agreement and give up substantial rights that you should not have to give up. Unfortunately, it is not your money. It is your investors' money. So you have a fiduciary duty.

Jeff is a litigator and he will talk over me and put pressure on you just like a cross examination. Jeff has a reputation of going through other attorneys to deal with the adverse client to the detriment of the adverse client. If we are all together, I will need to control the meeting and never leave you alone with them. However, in our previous meeting with Scott there were a number of different things that you said to Scott that I would have preferred you not to say or to not say anything until I could explain the full effect to you of Scott's request. Initially, a telephone conference (with you in my office) makes sense, but we are still trying to shoot a moving target with Jeff bringing up new issue after new issue.

Scott is the one responsible for this and not you. He failed to put proper protection systems in place so his cousin could not do what his cousin did.

Your waiver of suing Scott for fraud has nothing to do with him going to jail. A person can only go to jail for a criminal conviction, which can only be brought against him by a federal or state prosecutor. However, both Jeff and Scott have tried to deliberately use that reference "go to jail" to confuse you as to what they are asking. Your only leverage here is to be able to pursue a fraud suit if Scott puts his entities into bankruptcy and tries to walk away. Only a fraud judgment will not be dischargeable in bankruptcy. Anything short of what I put into the agreement will leave you fully and completely exposed if Scott decides to walk away or puts these entities into bankruptcy. Scott could also sell the entities for $1.00 and walk away from these entities and what are you left with? If you give Scott what Jeff wants, you are giving up your right to force him to pay you with his future earnings as opposed to limiting your recovery to what he has today, which in a bankruptcy liquidation process is not enough to pay off all of these loans.

Further, there is NEVER a limitation on legal fees when a third party can bring an action that needs to be defended against. In addition, Scott's actions to comply with the terms of this agreement will have a big effect on whether or not you have to deal with a third party lawsuit filed against you in court. In this situation, you can have an action brought against you by any of the other lenders, and / or by any of your investors. In a fraud action, facts are the biggest part of the case so it is extremely important to

obtain the best evidence possible so the facts can be easily proven in court. (That is why it is SUCH A MAJOR CONCESSION to Scott to not require him to admit all of the applicable facts in the agreement.) One recent article indicated that the discovery costs alone in a potential fraud action are almost 150% to 250% higher than even a major multi-party complex litigation matter, and legal fees are almost 300% to 500% higher. In addition, you could also face an action by the SEC or by the Securities Division of the ACC if an investor is able to convince someone in a prosecutor's office that you somehow assisted Scott to cover up this fraud or you were guilty of gross negligence by failing to perform adequate due diligence (on behalf of your investors' money) to determine what was going on. If Scott performs the Agreement in full and everything goes right, then those claims are unlikely to happen, but Scott will control the future events, so his FUTURE actions directly affect the likelihood of any action being brought against you. Based on that why should you take any risk of legal fees or costs exceeding any number that might be thought to be reasonable now

I know you want this over and done, but Jeff just keeps trying to whittle away at your protections so that you are not protected in the future. Jeff's basic argument is how he construes "fairness" to Scott. However, your duty and obligation is not to be fair to Scott, but to completely protect the rights of your investors. I am sorry if Scott is hurt through this, but Scott's hurt will give Scott the necessary incentive to go after his cousin. You job is to protect the money that your investors have loaned to DenSco.

********It would be a terrible irony here if you have to defend yourself against a criminal or securities charge against you for trying to be "fair" or "reasonable" to Scott and he gets to walk away without a problem. That irony has an even greater impact when we recognize that this whole situation was created because Scott did not have adequate internal controls in place which allowed this to happen.

If we need to talk this weekend, please let me know.

All the best, David

David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Friday, February 14, 2014 6:45 PM
To: Beauchamp, David G.
Subject: Re: scott's dollars

i just read an email from scott saying that some of the changes that they thought were goign to be incorporated were not, and he didn't like the wording of the latest request, i'm guessing the release of fraud issue. i really think this is the only way to get this resolved with out spending another 20k on back adn forth. dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>
Sent: Friday, February 14, 2014 6:37 PM
Subject: FW: scott's dollars

Denny:

What are the issues now? Have they added more that they want or are they just refusing to go along with what you have decided?

I am very hesitant to set up any meeting until I know what has been discussed and what are the remaining issues. Over the last 4 exchanges, Jeff has added 6 new issues.

Best regards, David

David G. Beauchamp
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

-----Original Message-----
From: Scott Menaged [mailto:smena98754@aol.com]
Sent: Friday, February 14, 2014 6:34 PM
To: Denny Chittick
Cc: Beauchamp, David G.; Jeffrey Goulder
Subject: Re: scott's dollars

Jeff and Dave

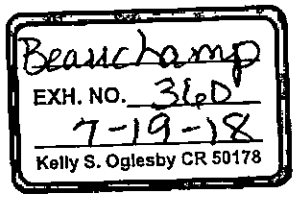
Please schedule an appointment for all 4 of us to sit down and go over agreement and makes changes as necessary and get this thing signed. Denny and I will make ourself available

Thanks

Denny is out of town till Tuesday

So wed- Friday is fine

Exhibit 29



Denies/workout

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Tuesday, February 25, 2014 9:38 PM
To: 'dcmoney@yahoo.com'
Cc: Beauchamp, David G.
Subject: Re: thinking outside the box

Denny:

Good ideas and probably something that we might need to work on. We will probably need to focus on an alternative approach, because Jeff's demands and changes have pretty much killed your ability to sign the Forbearance Agreement, which I believe Jeff wanted to do from the beginning.

I did send the revisions back to the head of our lending group and he said that Jeff's changes are clearly intended to prevent the parties from reaching any agreement. Robert also added that a lender has never given any release in a forbearance agreement in all the years he has represented workout groups at PNC and 5 other banks.

Talk tomorrow.

Best, David

David G. Beauchamp
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Tuesday, February 25, 2014 12:56 PM
To: Beauchamp, David G.
Subject: thinking outside the box

scott and i have been talking about how do we eliminate as many as these loans as fast as possible. that does a few things 1. it cuts down the interest expense from his pocket. 2. it cuts the number of problem loans from 118 to something more manageable, 3. gets the total dollars as an exposure to him cut down dramatically.

so how much room to have i have in a work out agreement? right now i'm securing every dollar i advance with a deed of trust. i know we are going to get a UCC on the inventory, which is great. he called me, asking that once that is done, do i advance him that

money ? i said no, it's security against the deficit. however, if he was to get an advance on that inventory, say 1 million dollars against the 3 million he has in inventory. by selling about 25 to 30 homes, that would eat up the million dollars (that's the difference between what's owed to Gregg and i, ie sell house for 120, i'm owed 70, gregg's owed 70, 20k deficit, use the million dollars and cover the 20k)

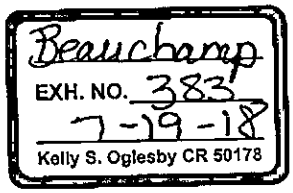
that would return 5 million to me and cut his interest costs, and cut the number loans dramatically. he feels like he can sell that many homes in a matter of days, yes wholesale them, which is cheaper than retail, but the added costs of retail close, ie prop tax, commissions, closing costs, time to close, 30 days more of interest, he could move a lot of these houses and cut my exposure. i wonder if that isn't better way of ~~fixing hte problem~~?

he's throwing out all sorts of ideas in how this can be done. i would be willing release the UCC if he was able to secure the funds and use them to pay some of these loans. we've got about 3 more ideas, but what both of us are really concerned about is that when i tell my investors the situation, they request their money back. i want to be able to say, this was the problem, we've eliminated this much of the problem and this is what is left. i want to be able to say what is left is as small as possible.

i don't expect a 3 page answer, just venting, brainstorming.
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

Exhibit 30



DenSco/Workout

Beauchamp, David G.

From:	Beauchamp, David G.
Sent:	Thursday, March 13, 2014 6:06 PM
To:	Denny J. Chittick (dcmoney@yahoo.com)
Subject:	Changes to Confidentiality Section

Denny:

I have done a complete re-write of the Confidentiality section by moving sentences around within the section and adding subpart designations to clarify the exceptions and the steps. Accordingly, there is no easy way to red-line to show the changes. Please read all of it very carefully and we should discuss any questions you have, BEFORE you circulate it to Scott. In order to comply with the specific securities disclosure requirements, I left ____ (blank) the amount of time for Scott to be able to review and comment upon the proposed disclosure (suggest 48 hours) and I did not give him the right to disapprove and block what you can or cannot disclose. DenSco and you as the promoter of DenSco's offering have to make the decisions as to what is to be disclosed or not. With respect to timing, we are already **very late** in providing information to your **investors about this problem and the resulting material changes from your business plan. We cannot give Scott and his attorney any time to cause further delay in getting this Forbearance Agreement finished and the necessary disclosure prepared and circulated.**

****

18. **Confidentiality**. In connection with or based upon the facts underlying this Agreement, the Parties agree not to assist, suggest, notify, or recommend that third parties investigate or pursue any requests for information, claims, or litigation relating to any of the Parties, their officers, directors, shareholders, owners, employees, consultants, attorneys, agents, successors, affiliates, subsidiaries, parents, heirs, representatives, and assigns. Each Party shall refrain from making any disparaging or negative statements or comments about the other Parties to any third parties, including any derogatory statements or criticism. Except as set forth below, the Parties further agree that: (i) the material terms of the Agreement and the material facts underlying the Agreement are intended to remain confidential; and (ii) they agree not to disclose, or cause others to disclose, to anyone the material terms stated in this Agreement or the material facts underlying this Agreement; provided, however, these disclosure limitations set forth in (i) and (ii) above are subject to the following exceptions: a) except as such facts are set forth in the applicable public records, or b) except as may be required to be disclosed to any governmental agency or authority with applicable jurisdiction (after notice to the other Party and an opportunity to object to such required disclosure), or c) except as may be disclosed to such Party's outside professionals, or d) except as may be necessary for Lender to disclose to Lender's current or future investors (which disclosure is intended to be limited as described below). With respect to the limitation on Lender's disclosure to its investors as referenced above, Lender agrees to use its good faith efforts to limit such disclosure as much as legally possible pursuant to the applicable SEC Regulation D disclosure rules, which limitation is intended to have Lender only describe: 1. the multiple Loans secured by the same Properties, which created the Loans Defaults; 2. the work-out plan pursuant to this Agreement in connection with the steps to be taken to resolve the Loans Defaults; 3. the work-out plan shall also include disclosing the previous additional advances that Lender has made and the advances that are intended to be made by Lender to Borrower pursuant to this Agreement in connection with increases in the loan amount of certain specific Loans (up to 95% of the LTV of the applicable Property being 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 Lender's business plan that Lender has previously disclosed to its investors in Lender's private offering documents and which Lender committed to follow, including the overall LTV loan

ratios for all of Lender's outstanding loans to its borrowers in the aggregate and the concentration of all of Lender's outstanding loans among all of its borrowers. Further, Lender will use its good faith efforts not to include the names of Borrower, Guarantor, or New Guarantor in Lender's disclosure material. Lender will also provide Borrower with a copy of the applicable disclosure prior to dissemination to Lender's investors and allow Borrower to have __ hours to review and comment upon such disclosure.

Best, David

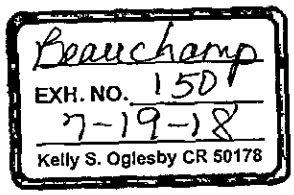
David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

Exhibit 31

DenSec / Workout

Beauchamp, David G.



From: Denny <dcmoney@yahoo.com>
Sent: Sunday, January 12, 2014 9:35 PM
To: Beauchamp, David G.
Subject: Re: Plan

No I am not aware of who it is or what their agreement is

Sent from my iPad

On Jan 12, 2014, at 9:33 PM, "Beauchamp, David G." <DBeauchamp@ClarkHill.com> wrote:

> Denny:
>
> Thank you for the update. You should feel very honored that you could raise that amount of money that quickly.
>
> I will outline a few thoughts tomorrow and get back to you. Do you know the terms that Scott is having to give his investor?
>
> Best, David
>
> David G. Beauchamp
> CLARK HILL PLC
> 14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
> 480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
> dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Sunday, January 12, 2014 03:05 PM
To: Yomtov Menaged <smena98754@aol.com>; Beauchamp, David G.
Subject: Plan

I've spent the day contacting every investor that has told me they want to give me more money. i don't have an answer on specifically how much i can raise, i'll know that in a day or two. i have 3 million in my acct. i still have to fund my regular business at the same time. i've got a few million closing in the next 10 business days. i feel like if all goes well, i'll have my money in total of rought 5-6 million in this time frame.

The idea, which Scott and i talked about Friday night.

would be to have the opposing group, give a list of addresses and $'s amounts to us and to Debbie Pihl (yes it's spelled correctly, pronounced Peal) she works at Magnus, both Scott and i have worked with her for years, highly respected. i'm quite sure they know her too. she then does the title work, verifies the dollar amounts, gives us a list of $'s and properties to pay off their loans. based on cash that scott and i have, we'll start knocking them off. that way, it's all documented, it's through a neutral third party and everyone is secure in their positions and dollars.

As far as Scott and i, we would like to meet with Dave and Scott's attorney, all four of us. Create a terms sheet then have it written up as far as what needs to be in there to both make ~~me secure,~~ terms are understood, conditions, costs, etc.

if both scott and i can raise enough money, we should be able to have this all done in 30 days easy, less than three weeks would be my goal.

we have both been told there are as many as three other entities, waiting to see what happens, which represent as many as 6 to 10 more loans. i'm sure they will be next, we have to plan for that too.

then that should leave us with just me and Greg on all of Scott's loans. Greg has confirmed with Scott and has told me, as long as he gets his interest and payoffs come, he's happy. which he should be, because he claims he's run title on every loan and he's in first position on all of them but 2 of the loans.

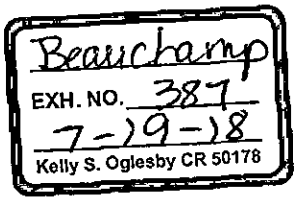
the plan that scott and i sent forth to you in my email that

went to spam folder, would then be pursued to pay off these loans that i'm 95% LTV and to pay off Greg's loans. the time frame for this will be driven by Scott's ability to bring in the additional capital he's raising.

that's my plan, shoot holes in it.
thx
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

Exhibit 32



DenSco/Workout

Beauchamp, David G.

From: Denny Chittick <dcmoney@yahoo.com>
Sent: Monday, March 17, 2014 10:43 AM
To: Beauchamp, David G.
Subject: Re: Revisions to Forbearance Agreement

so am i but hte details of the agreement are confidential, how my ratios end up, i can explain without giving details.
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Monday, March 17, 2014 10:41 AM
Subject: RE: Revisions to Forbearance Agreement

Denny:

I completely agree that it makes a lot of sense, but I am concerned about the disclosure to your investors.

Best, David

David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Monday, March 17, 2014 10:37 AM
To: Beauchamp, David G.
Subject: Re: Revisions to Forbearance Agreement

we are banking on about 50 properties, it will obviously pull it up, however, as the other loans that i have at 95% sell off and replace them with 60-70% LTV loans during my normal course

of business, i feel like i should be ok. plus, as we get appreciation, what might start out to be 120% might be 105% or less by years end. i know this is a bit of a risk, however, i feel like, one, getting rid of gregg's loans is 100% necessary. i rather control a property at 120% LTV worse case, then have no control and be in a second position totally exposed, as i am today on 90 loans, secondly, i lower the workout loan amount , which is much more risky than a 120% ltv loan on a house. i've spent a lot of time thinking about it and i really think it makes more sense.

dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Monday, March 17, 2014 10:31 AM
Subject: RE: Revisions to Forbearance Agreement

Denny:

Glad you had a good weekend. You deserve it.

I will make the changes and get it circulated.

Have you run the numbers to see how the loans at 120% of LTV and the unsecured loans will affect your overall ratios?

Best, David

David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Monday, March 17, 2014 10:10 AM

To: Beauchamp, David G.
Subject: Re: Revisions to Forbearance Agreement

ok i hope these are the last of the changes, and we can start filling in all the blanks:

paragraph 7, A, i'm going to extend funds up to 120% of the value

paragraph B, i think the max number will be 5 million and i'm not sure what the amortization will be , i think we'll instead ask for outstanding interest to be paid plus X$'s of prinicple a month, with any outstanding principle to be paid at 2/1/16.

paragraph D , it's Scottsdale, not PV., the note will be secured against properties or allow me to allocate funds on the workout loan at 3%

paragraph 18, 48 hours.

that's all the changes i have for now. we do these, i think that we will just need to fill inthe balnks and add teh addendum.

it's important that we have the assets secured as part of this agreement from furniture king. scott is going to try to get inventory financing, he does that, that will free up 1-2 million of cash at 5.5% and pay me down, i rather have him do that instead of a ucc. plus he's expanding and adding another store in Gilbert.
i hope you had a nice weekend, i feel like i had my first good one since Nov!

thx
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>
Sent: Friday, March 14, 2014 3:22 PM
Subject: Revisions to Forbearance Agreement

Denny:

Attached is the red-line version of the Forbearance Agreement to evidence the changes. Also enclosed is a clean copy that you and Scott can use to fill in the blanks so we can hopefully get this agreement finalized.

Please review the changes carefully and call with any questions before you send it to Scott. If you are fine with these changes, please send it to Scott and copy me so that I know it has been sent.

Thanks, David

David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

Exhibit 33

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, vs. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, Husband and Wife, Defendants.	)	NO. CV2017-013832

VIDEOTAPED DEPOSITION OF SCOTT RHODES

Phoenix, Arizona
May 15, 2019
9:05 a.m.

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

had committed a securities violation, and it was paramount that we get the disclosure statement out in writing to all of the investors as quickly as possible. His representations that he had advised everybody and told them to the contrary, we needed something more formal than that.

A. Correct.

Q. You agree with Mr. Beauchamp that at that point in time, Mr. Beauchamp believed there was a securities violation?

A. Well, certainly that's what he said, and there is no reason to question his professional judgment about that call.

Q. Right.

A. Up until that time before, I -- there was a question as to whether the written POM and then of course there might have been oral disclosures made, but it appears at this point in April, early May, Mr. Beauchamp is concluding that there had been either no oral disclosures or inadequate oral disclosures.

Q. And in the situation or circumstance when your client is committing an ongoing fraud, securities fraud, or a crime, there is a mandatory duty to withdraw. True?

A. Yes, I think that at this point the withdrawal was mandatory.

BE IT KNOWN that the foregoing proceeding was taken before me; that the witness before testifying was duly sworn by me to testify to the whole truth; that the questions propounded to the witness and the answers of the witness thereto were taken down by me in shorthand and thereafter reduced to typewriting under my direction; that the foregoing is a true and correct transcript of all proceedings had upon the taking of said deposition, all done to the best of my skill and ability.

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

[X] Review and signature was requested.
[ ] Review and signature was waived.
[ ] Review and signature was not requested.

I CERTIFY that I have complied with the ethical obligations in ACJA Sections 7-206(F)(3) and 7-206-(J)(1)(g)(1) and (2).

Kelly Sue Oglesby _____ 5/24/2019
Kelly Sue Oglesby Date
Arizona Certified Reporter No. 50178

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

_____ 5/24/2019
JD REPORTING, INC. Date
Arizona Registered Reporting Firm R1012

Exhibit 34

CLARK HILL

David Beauchamp
T:480.684.1126
F:480.-684.1199
dbeauchamp@Clarkhill.com

Clark Hill PLC
14850 N. Scottsdale Road
Suite 500
Scottsdale, AZ 85254
T 480.684.1100
F 480.684.1199

clarkhill.com

April 27, 2016

Mr. Denny J. Chittick
DenSco Investment Corporation
6132 W. Victoria Place
Chandler, AZ 85226

Via E-Mail and US Mail
(dcmoney@yahoo.com)

Re: Business Matters

Dear Denny:

Enclosed is the invoice for legal services provided by Clark Hill to DenSco Investment Corporation through the end of March. If you have any questions concerning this invoice, please contact me to discuss. As we have previously discussed, I would much rather discuss any issue when it arises, so we have a better opportunity to resolve it.

Thank you again for allowing Clark Hill and me to provide legal services to DenSco Investment Corporation. If you have any question or if we can assist you with any other matter(s), please let me know.

Very Truly Yours,

David

David G. Beauchamp
CLARK HILL PLC

Enclosure

CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500
Scottsdale, AZ 85254
Telephone (480) 684-1100
Fed.ID # 38-0425840

INVOICE

Invoice # 649076

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

April 26, 2016
Client: 43820
Matter: 170145

==========

RE: Business Matters

FOR SERVICES RENDERED through March 31, 2016

Total Services:	$2,484.00
INVOICE TOTAL	$2,484.00
TOTAL AMOUNT DUE	$2,484.00

==========

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

03/18/16	DGB	Review and respond to email from D. Chittick; review ADFI letter.	.30
03/21/16	DGB	Review file and information concerning previous response to Arizona Department of Financial Institute.	.20
03/23/16	DGB	Review files and background information; review research notes and emails; review and respond to several emails.	1.10
03/24/16	DGB	Telephone call with office of ADFI regarding status with letter, response and procedure.	.20
03/29/16	DGB	Telephone call with office of R. Taveler; telephone call with ADFI receptionist concerning office schedule and issues; email to D. Chittick; review, work on and respond to emails; discussion with R. Traveler regarding response to ADFI, issues, procedure and timing; email to D. Chittick; work on response to ADFI; review forms for D. Chittick for response.	1.80
03/30/16	DGB	Review file, notes and information; work on research updates; work on response to ADFI.	1.80

$2,484.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	5.40 hours at	$460.00 =	$2,484.00

CLARK HILL

David Beauchamp
T:480.684.1126
F:480.-684.1199
dbeauchamp@Clarkhill.com

Clark Hill PLC
14850 N. Scottsdale Road
Suite 500
Scottsdale, AZ 85254
T 480.684.1100
F 480.684.1199

clarkhill.com

May 13, 2016

Mr. Denny J. Chittick
DenSco Investment Corporation
6132 W. Victoria Place
Chandler, AZ 85226

Via E-Mail and US Mail
(dcmoney@yahoo.com)

Re: Business Matters

Dear Denny:

Enclosed is the invoice for legal services provided by Clark Hill to DenSco Investment Corporation through the end of Aptil. If you have any questions concerning this invoice, please contact me to discuss. As we have previously discussed, I would much rather discuss any issue when it arises, so we have a better opportunity to resolve it.

Thank you again for allowing Clark Hill and me to provide legal services to DenSco Investment Corporation. If you have any question or if we can assist you with any other matter(s), please let me know.

Very Truly Yours,

David

David G. Beauchamp
CLARK HILL PLC

Enclosure

CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500
Scottsdale, AZ 85254
Telephone (480) 684-1100
Fed.ID # 38-0425840

INVOICE

Invoice # 651953

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

May 12, 2016
Client: 43820
Matter: 170145

==========

RE: Business Matters

FOR SERVICES RENDERED through April 30, 2016

Total Services:			$4,968.00
INVOICE TOTAL			$4,968.00
04/26/16	649076	$2484.00	
Outstanding Balance:			$2,484.00
TOTAL AMOUNT DUE			$7,452.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

04/01/16	DGB	Research revisions to statutes and regulations; review, work on and respond to several emails; prepare, work on and revise response letter to ADFI; verify statutory revisions; transmit draft to D. Chittick; work on exhibits to letter; review, work on and respond to emails from D. Chittick.	4.40
04/04/16	DGB	Revise letter to R. Traveler to add comments from D. Chittick; prepare attachments to letter and arrange for delivery and meeting.	1.20
04/05/16	DGB	Prepare email and transmit copy of response to D Chittick; review email.	.30
04/08/16	DGB	Review and respond to email from D. Chittick; prepare and transmit response to R. Traveler at ADFI via email.	.60
04/11/16	DGB	Review, work on and respond to emails from R. Traveler of ADFI.	.20
04/12/16	DGB	Review message from ADFI regarding response.	.10
04/13/16	DGB	Review message from ADFI concerning response submitted.	.10
04/14/16	DGB	Review, work on and respond to several emails concerning additional information requested by R. Traveler at ADFI; review information from D. Chittick; work on information and work on and prepare information to respond to R. Traveler; revise information; review ADFI regulations for information requested.	1.80
04/15/16	DGB	Review and work on list of escrow companies and title insurance companies; prepare cover letter and identify limitations and restrictions of provided list; revise cover letter; transmit requested information to R. Traveler along with explanation limitations and restrictions; telephone call with office of D. Chittick.	2.10

$4,968.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	10.80 hours at	$460.00 =	$4,968.00

CLARK HILL

David Beauchamp
T:480.684.1126
F:480.-684.1199
dbeauchamp@Clarkhill.com

Clark Hill PLC
14850 N. Scottsdale Road
Suite 500
Scottsdale, AZ 85254
T 480.684.1100
F 480.684.1199

clarkhill.com

June 15, 2016

Mr. Denny J. Chittick
DenSco Investment Corporation
6132 W. Victoria Place
Chandler, AZ 85226

Via E-Mail and US Mail
(dcmoney@yahoo.com)

Re: Business Matters

Dear Denny:

Enclosed is the invoice for legal services provided by Clark Hill to DenSco Investment Corporation through the end of May. If you have any questions concerning this invoice, please contact me to discuss. As we have previously discussed, I would much rather discuss any issue when it arises, so we have a better opportunity to resolve it.

Thank you again for allowing Clark Hill and me to provide legal services to DenSco Investment Corporation. If you have any question or if we can assist you with any other matter(s), please let me know.

Very Truly Yours,

David

David G. Beauchamp
CLARK HILL PLC

Enclosure

CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500
Scottsdale, AZ 85254
Telephone (480) 684-1100
Fed.ID # 38-0425840

INVOICE

Invoice # 656811

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

June 10, 2016
Client: 43820
Matter: 170145

==========

RE: Business Matters

FOR SERVICES RENDERED through May 31, 2016

Total Services:	$2,070.00
INVOICE TOTAL	$2,070.00
TOTAL AMOUNT DUE	$2,070.00

==========

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

05/24/16	DGB	Review email from R. Traveler and forward to D. Chittick; telephone call with D. Chittick regarding procedure with HUD1 forms, procedure and information to respond to ADFI; prepare questions and email for R. Traveler; review and respond to several emails with D. Chittick; revise and transmit email and questions to R. Traveler.	2.10
05/25/16	DGB	Review message and information from R. Traveler; review and respond to several emails from D. Chittick; review and work on information from D. Chittick; work on notes.	1.20
05/26/16	DGB	Work on notes for response to ADFI.	.50
05/27/16	DGB	Work on information for response to R. Traveler.	.30
05/31/16	DGB	Review notes and work on response to AZ DFI.	.40

$2,070.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	4.50 hours at	$460.00 =	$2,070.00

CLARK HILL

David Beauchamp
T:480.684.1126
F:480.-684.1199
dbeauchamp@Clarkhill.com

Clark Hill PLC
14850 N. Scottsdale Road
Suite 500
Scottsdale, AZ 85254
T 480.684.1100
F 480.684.1199

clarkhill.com

July 22, 2016

DenSco Investment Corporation
Attn: Mr. Denny J. Chittick
6132 W. Victoria Place
Chandler, AZ 85226

Via E-Mail and US Mail
(dcmoney@yahoo.com)

Re: Business Matters

Dear Denny:

Enclosed is the invoice for legal services provided by Clark Hill to DenSco Investment Corporation through the end of June. If you have any questions concerning this invoice, please contact me to discuss. As we have previously discussed, I would much rather discuss any issue when it arises, so we have a better opportunity to resolve it.

Thank you again for allowing Clark Hill and me to provide legal services to DenSco Investment Corporation. If you have any question or if we can assist you with any other matter(s), please let me know.

Very Truly Yours,

David

David G. Beauchamp
CLARK HILL PLC

Enclosure

CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500
Scottsdale, AZ 85254
Telephone (480) 684-1100
Fed.ID # 38-0425840

INVOICE

Invoice # 663658

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

July 22, 2016
Client: 43820
Matter: 170145

==========

RE: Business Matters

FOR SERVICES RENDERED through June 30, 2016

Total Services:	$1,886.00
INVOICE TOTAL	$1,886.00
TOTAL AMOUNT DUE	$1,886.00

==========

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

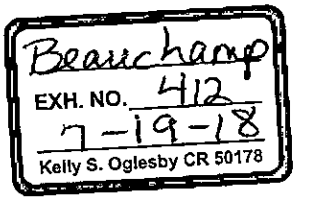
06/02/16	DGB	Review and respond to emails; prepare, work on and revise detailed response to ADFI and send to D. Chittick for approval; work on information to submit to ADFI.	2.60
06/03/16	DGB	Review and respond to several emails concerning supplemental filing with ADFI; attach exhibits and file response.	.80
06/24/16	DGB	Review and respond to email from D. Chittick; review document.	.30
06/28/16	DGB	Review and respond to email from D. Chittick; review documents and HUD-1; email questions regarding HUD-1.	.40

$1,886.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	4.10 hours at	$460.00 =	$1,886.00

Exhibit 35



From: Denny
To: Scott Menaged
Subject: Re: How are You?
Date: Friday, March 13, 2015 8:08:51 PM

I figure it's a miracle he left me alone this long!

Sent from my iPad

On Mar 13, 2015, at 8:07 PM, Scott Menaged <smena98754@aol.com> wrote:

> Schedule coffee in 18 months when our balance is close to nothing! Haha
>
> Sent from my iPhone
>
> On Mar 13, 2015, at 7:58 PM, Denny <dcmoney@yahoo.com> wrote:
>
> > Surprise surprise
> >
> > Sent from my iPad
> >
> > Begin forwarded message:
> >
> > **From:** "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
> > **Date:** March 13, 2015 at 7:53:58 PM MST
> > **To:** "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>
> > **Subject: How are You?**
> >
> > Denny:
> >
> > I would like to meet for coffee or lunch (at no charge to you) so we can sit down and talk about how things have progressed for you since last year. I also would like to listen to you about your concerns, and frustrations with how the forbearance settlement and the documentation process was handled. I have thought back to it a lot and I have second guessed myself concerning several steps in the overall process, but I wanted to protect you as much as I could. When I felt that your frustration had reached a very high level, I stopped calling you about how things were going so that you did not feel I was just trying to add more attorneys fees. I planned to call you after about 30 days, but then I let it slip all of last year because I kept putting it off. I even have

tried to write you several different emails. but I kept erasing them before I could send them.

I acknowledge that you were justifiably frustrated and upset with the expense and the how the other lenders (and Scott at times) seemed to go against you as you were trying to get things resolved last year for Scott. I have tried to let time pass so that we can discuss if you are willing to move beyond everything that happened and still work with me. If not, I would like you to know that I still respect you, what you have done and I would like to still consider you a friend. You stood up for Scott when he needed it and I truly believe it was more than just a business decision on your part.

Hopefully, you will respond to this email and we can try to talk and catch up.

All the best, David

David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Scottsdale, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

Exhibit 36

OSBORN MALEDON
A PROFESSIONAL ASSOCIATION ATTORNEYS AT LAW

Geoffrey M. T. Sturr

gsturr@omlaw.com

2929 North Central Avenue
21st Floor
Phoenix, Arizona 85012

Direct Line 602.640.9377

Telephone 602.640.9000
Facsimile 602.640.9050
omlaw.com

January 17, 2018

Via U.S. & Electronic Mail

John E. DeWulf, Esq.
Coppersmith Brockelman PLC
2800 N. Central Avenue, Suite 1900
Phoenix, AZ 85004

Re: Davis v. Clark Hill, et al., CV2017-013832
Calculation of Prejudgment Interest

Dear John:

As you know, the Receiver's complaint requests, as an element of damages, prejudgment interest. Rule 68, regarding offers of judgment, also provides as a sanction for not doing better than the offer of judgment, prejudgment interest on both liquidated and unliquidated claims.

Prejudgment interest is sought on three different types of loans that were outstanding on Denny Chittick's death, as summarized in the Receiver's December 23, 2016 report: *(i)* a $5 million workout loan made to Scott Menaged as part of the Forbearance Agreement; *(ii)* a $1 million workout loan made to Menaged as part of the Forbearance Agreement; and *(iii)* non-workout loans that DenSco made to Menaged after DenSco learned of Menaged's fraud in November 2013. As alleged in the complaint, the losses DenSco suffered on those loans were the proximate result of Clark Hill's conduct. Prejudgment interest is also sought on Clark Hill legal fees paid by DenSco.

The purpose of this letter is to provide Clark Hill with information to assess its exposure for prejudgment interest.

1. $5 million "workout loan" to Menaged

Under the Forbearance Agreement that Clark Hill drafted and advised DenSco to sign, DenSco agreed to loan Menaged up to $5 million for use in connection with the sale or refinancing of any property listed in Exhibit A to the Agreement. The principal balance of that loan as of December 23, 2016 was $13,336,807.24. *See* Receiver's Report, December 23, 2016, at page 9. We enclose, as Appendix A, a schedule showing how that balance was calculated. The schedule reflects that Menaged drew on this loan as early as February 2014, and made a last

draw on August 18, 2015. As of October 5, 2015, the principal balance of the line of credit was $13,656,807.24, and remained at this amount until Chittick's death in July 2016.

The rate of prejudgment interest in this case is 10%. A.R.S. § 44-1201(A), (F). Thus, a yearly calculation of prejudgment interest on DenSco's $13,656,807.24 loss is $1,365,680.72.

2. $1 million "workout loan" to Menaged

The Forbearance Agreement also obligated DenSco to make a "new loan" to Menaged of up to $1 million as part of the "workout" that Clark Hill blessed and documented. The principal balance of that loan as of December 23, 2016 was $1,002,532.55. *See* Receiver's Report, December 23, 2016, at page 9. We enclose, as Appendix B, a schedule showing how that balance was calculated. The schedule reflects that Menaged drew on this loan as early as December 13, 2013 and last drew on this loan on April 30, 2014, when the principal balance was $1,002,532.55. It remained at that amount until Chittick's July 2016 death.

A yearly calculation of prejudgment interest on DenSco's $1,002,532.55 loss is $100,253.25.

3. Non-workout loans

As set forth in the Receiver's December 23, 2016 report (at page 10), as of August 2016, when the Receiver was appointed, DenSco suffered losses of at least $28,332,300 because of loans made to Menaged outside of the "work out" loans contemplated by the Forbearance Agreement that were not secured. We enclose, as Appendix C, a schedule showing how that amount was calculated.

A yearly calculation of prejudgment interest on DenSco's $28,332,300.00 loss is $2,833,230.00.

4. Payments to Clark Hill for Attorneys' Fees

As of June 24, 2016, Clark Hill received payment from DenSco for legal fees in the amount of $163,702.45. The Receiver seeks in the complaint the return of all those fees on the grounds that they were received after Clark Hill had committed a serious breach of fiduciary duty. The last fee payment was on June 24, 2016.

A yearly calculation of prejudgment interest on the Receiver's attorney fee disgorgement claim is $16,370.25.

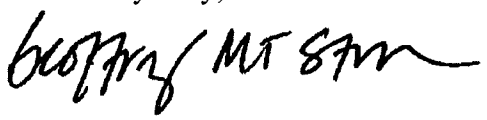
5. Conclusion

The date on which prejudgment interest began accruing will be decided by the Court. We submit that the Court could conclude that prejudgment interest began accruing on the loan losses as early as the date the Forbearance Agreement was signed in April 2014. Alternatively, the

Court could conclude that prejudgment interest on the loan losses began accruing in August 2016, when Clark Hill received Chittick's pre-suicide writings that blamed Clark Hill for those losses. Clark Hill received a second notice of its exposure for prejudgment interest on the loan losses when the Receiver issued his December 23, 2016 report. At the latest, prejudgment interest has been accruing since October 17, 2017, when Clark Hill received a copy of the Complaint.

Clark Hill's exposure for prejudgment interest is significant. As set forth above, Clark Hill faces yearly prejudgment interest of $4,315,534.22 that has been accruing and will continue to accrue to the date a judgment is satisfied. The Receiver reserves the right to revise or otherwise adjust that number as information acquired through disclosure and discovery is analyzed. The Receiver nevertheless assumes that Clark Hill possesses adequate information to assess its exposure for prejudgment interest.

Yours very truly,



Geoffrey M. T. Sturr

GMTS:dh
Enclosures
cc: Colin F. Campbell, Esq.
7433114

Appendix A

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

DenSco Investment Corporation
$5 Million Workout Loan - As of 07/28/16 (Date of Denny Chittick's Death)

Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
02/28/14	Workout	Pay Gregg's Interest		100,000.00
03/05/14	Workout	Principal Payment		(100,000.00)
03/07/14	4505	2105 S 108th Ave	Avondale, AZ 85323	95,864.00
03/07/14	4554	2027 S 101st Dr	Tolleson, AZ 85353	79,380.98
03/07/14	4607	1942 S Emerson #252	Mesa, AZ 85210	41,382.56
03/07/14	4645	14869 W Caribbean Ln	Surprise, AZ 85379	79,252.00
03/07/14	4652	4119 W Valley View Dr	Laveen, AZ 85339	88,896.00
03/07/14	4656	4906 W Gelding Dr	Glendale, AZ 85306	69,082.27
03/07/14	4711	1697 S 233rd Ln	Buckeye, AZ 85326	67,353.16
03/10/14	4690	4119 W Grovers Ave	Glendale, AZ 85308	78,538.63
03/14/14	4578	1040 S 220th Ln	Buckeye, AZ 85326	68,127.63
03/14/14	4644	18146 W Puget Ave	Waddell, AZ 85355	63,861.07
03/14/14	4671	23846 W Gibson Ln	Buckeye, AZ 85326	92,372.15
03/21/14	4503	15456 S 47th Place	Phoenix, AZ 85044	181,653.80
03/26/14	Workout	Principal Payment		(1,715.65)
03/28/14	4446	6024 E Wethersfield Rd	Scottsdale, AZ 85254	112,625.27
03/31/14	4483	13920 W Maui Ln	Surprise, AZ 85379	38,414.70
03/31/14	4722	1820 S 106th Ln	Tolleson, AZ 85353	63,544.61
04/04/14	4431	25852 S Beech Creek dr	Sun Lakes, AZ 85248	120,000.00
04/04/14	4431	25852 S Beech Creek dr	Sun Lakes, AZ 85248	18,235.26
04/04/14	4604	707 E Potter Dr	Phoenix, AZ 85024	170,000.00
04/04/14	4604	707 E Potter Dr	Phoenix, AZ 85024	14,619.56
04/10/14	4589	16739 W Navajo St	Goodyear, AZ 85338	20,000.00
04/14/14	4287	4745 W Golden Ln	Glendale, AZ 85302	60,000.00
04/14/14	4287	4745 W Golden Ln	Glendale, AZ 85302	3,805.73
04/14/14	4585	3154 W Via Montoya Dr	Phoenix, AZ 85027	21,082.34
04/14/14	4665	635 S St Paul	Mesa, AZ 85206	27,783.84
04/14/14	4688	9832 E Olla Ave	Mesa, AZ 85212	37,589.85
04/21/14	4459	1427 W Windsong Dr	Phoenix, AZ 85045	184,645.10
04/24/14	4611	14904 W Port Royale Ln	Surprise, AZ 85379	25,930.11
04/25/14	3926	320 S 70th St #9	Mesa, AZ 85208	120,000.00
04/25/14	3926	320 S 70th St #9	Mesa, AZ 85208	35,000.00
04/25/14	3926	320 S 70th St #9	Mesa, AZ 85208	21,468.83
04/28/14	4180	7089 W Andrew Ln	Peoria, AZ 85383	170,000.00
04/28/14	4180	7089 W Andrew Ln	Peoria, AZ 85383	(4,182.39)
04/28/14	4180	7089 W Andrew Ln	Peoria, AZ 85383	4,547.94
04/30/14	4636	4705 N Brookview Terrace	Litchfield, AZ 85340	131,720.03
05/02/14	4313	19296 W Adams St	Buckeye, AZ 85326	110,000.00
05/02/14	4313	19296 W Adams St	Buckeye, AZ 85326	32,360.22
05/09/14	4519	23851 W Wier Ave	Buckeye, AZ 85326	120,000.00
05/09/14	4519	23851 W Wier Ave	Buckeye, AZ 85326	7,794.45
05/12/14	4152	18131 W Ruth Ave	Waddell, AZ 85355	190,000.00
05/12/14	4152	18131 W Ruth Ave	Waddell, AZ 85355	39,258.34
05/12/14	4689	17661 W Marconi Ave	Surprise, AZ 85388	107,140.72
05/12/14	4703	14365 W Verde Ln	Goodyear, AZ 85338	93,442.35
05/13/14	4669	12602 N 60th St	Scottsdale, AZ 85254	56,530.13
05/15/14	4383	9423 W McRae Way	Peoria, AZ 85382	100,000.00
05/15/14	4383	9423 W McRae Way	Peoria, AZ 85382	368.83
05/16/14	4434	2210 S Keene St	Mesa, AZ 85209	200,000.00
05/16/14	4434	2210 S Keene St	Mesa, AZ 85209	1,651.22

DenSco Investment Corporation
$5 Million Workout Loan - As of 07/28/16 (Date of Denny Chittick's Death)

Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
05/16/14	4618	12602 N 60th St	Phoenix, AZ 85032	198,683.57
05/22/14	4386	2182 E Arabian Dr	Gilbert, AZ 85296	140,000.00
05/22/14	4386	2182 E Arabian Dr	Gilbert, AZ 85296	12,676.24
05/30/14	3927	7204 W Warner St	Phoenix, AZ 85043	90,000.00
05/30/14	3927	7204 W Warner St	Phoenix, AZ 85043	59,347.52
06/02/14	4546	15550 N Frank Lloyd Wright #1005	Scottsdale, AZ 85260	176,884.68
06/09/14	4430	5414 S Heather Dr	Tempe, AZ 85283	170,000.00
06/09/14	4430	5414 S Heather Dr	Tempe, AZ 85283	2,053.55
06/11/14	4397	2968 E Lynx Way	Gilbert, AZ 85298	240,000.00
06/11/14	4397	2968 E Lynx Way	Gilbert, AZ 85298	28,487.82
06/20/14	4544	17016 S 27th Place	Phoenix, AZ 85048	96,956.75
06/27/14	4417	17540 N Estrella Vista Dr	Surprise, AZ 85375	140,000.00
06/27/14	4417	17540 N Estrella Vista Dr	Surprise, AZ 85375	27,152.96
06/30/14	4136	14556 N 154th Ln	Surprise, AZ 85379	120,000.00
06/30/14	4136	14556 N 154th Ln	Surprise, AZ 85379	35,887.76
06/30/14	4530	1750 W Potter Dr	Phoenix, AZ 85027	67,811.64
07/14/14	4624	15143 E Aspen Dr	Fountain Hills, AZ 85268	191,311.29
07/17/14	4495	16527 W Post Dr	Surprise, AZ 85388	100,000.00
07/17/14	4495	16527 W Post Dr	Surprise, AZ 85388	6,475.40
07/18/14	4619	3740 W Villa Theresa Dr	Glendale, AZ 85308	73,946.52
07/22/14	4454	2733 S Ananea St	Mesa, AZ 85209	160,000.00
07/22/14	4454	2733 S Ananea St	Mesa, AZ 85209	10,543.58
07/31/14	3610	20802 N Grayhawk Dr #1076	Scottsdale, AZ 85255	250,000.00
07/31/14	3610	20802 N Grayhawk Dr #1076	Scottsdale, AZ 85255	98,873.28
07/31/14	Workout	Principal Payment		(5,988.38)
08/06/14	4541	31008 W Columbus Ave	Buckeye, AZ 85326	40,000.00
08/11/14	4481	13512 W Marshall Ave	Litchfield, AZ 85340	130,000.00
08/11/14	4481	13512 W Marshall Ave	Litchfield, AZ 85340	29,014.25
08/15/14	4061	22261 W Moonlight Path	Buckeye, AZ 85326	65,501.97
08/19/14	4003	4529 E Sharon Dr	Phoenix, AZ 85032	150,000.00
08/19/14	4003	4529 E Sharon Dr	Phoenix, AZ 85032	45,997.87
08/19/14	4003	4529 E Sharon Dr	Phoenix, AZ 85032	6,173.44
08/20/14	3933	9451 E Becker Ln #B1057	Scottsdale, AZ 85260	110,000.00
08/20/14	3933	9451 E Becker Ln #B1057	Scottsdale, AZ 85260	26,196.70
08/20/14	3933	9451 E Becker Ln #B1057	Scottsdale, AZ 85260	24,182.08
08/21/14	3975	1080 E Redwood Dr	Chandler, AZ 85286	120,000.00
08/21/14	3975	1080 E Redwood Dr	Chandler, AZ 85286	19,039.20
08/22/14	Workout	Principal Payment		(21,324.12)
08/26/14	4643	842 E Sheffield Ave	Gilbert, AZ 85296	84,030.98
08/27/14	Workout	Principal Payment		(7,977.69)
08/29/14	4381	3237 W Pleasant Ln	Phoenix, AZ 85041	120,421.77
08/29/14	Workout	Principal Payment		(23,088.43)
09/02/14	4411	5335 S Monte Vista St	Chandler, AZ 85249	244,822.86
09/04/14	Workout	Principal Payment		(78,786.68)
09/05/14	4732	5916 W Fetlock Trl	Phoenix, AZ 85085	68,759.48
09/09/14	4077	5357 S Ranger Trail	Gilbert, AZ 85296	230,000.00
09/09/14	4077	5357 S Ranger Trail	Gilbert, AZ 85296	83,002.32
09/09/14	4077	5357 S Ranger Trail	Gilbert, AZ 85296	89,534.80
09/11/14	Workout	Principal Payment		(24,052.70)
09/12/14	4393	25209 S Saddletree Dr	Sun Lakes, AZ 85248	90,794.60

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

DenSco Investment Corporation
$5 Million Workout Loan - As of 07/28/16 (Date of Denny Chittick's Death)

Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
09/12/14	Workout	Principal Payment		(16,173.61)
09/19/14	4228	7389 W Tierra Buena Ln	Peoria, AZ 85382	100,000.00
09/19/14	4228	7389 W Tierra Buena Ln	Peoria, AZ 85382	27,343.88
09/23/14	3997	311 N Kenneth Pl	Chandler, AZ 85226	220,000.00
09/23/14	3997	311 N Kenneth Pl	Chandler, AZ 85226	48,302.06
09/24/14	Workout	Principal Payment		(13,530.08)
09/26/14	3987	18356 W Mission Ln	Waddell, AZ 85355	150,000.00
09/26/14	3987	18356 W Mission Ln	Waddell, AZ 85355	40,000.00
09/26/14	3987	18356 W Mission Ln	Waddell, AZ 85355	41,382.45
09/26/14	Workout	Principal Payment		(21,865.60)
09/29/14	Workout	Principal Payment		(12,657.65)
10/02/14	4409	3326 E Oriole Dr	Gilbert, AZ 85297	144,173.16
10/03/14	Workout	Principal Payment		(83,424.68)
10/10/14	Workout	Principal Payment		(31,032.87)
10/17/14	Workout	Principal Payment		(31,141.49)
10/24/14	3882	10721 W Laurelwood Ln	Avondale, AZ 85323	120,000.00
10/24/14	3882	10721 W Laurelwood Ln	Avondale, AZ 85323	39,258.48
10/24/14	Workout	Principal Payment		(46,170.85)
10/30/14	4020	12802 W Willow Ave	El Mirage, AZ 85335	80,000.00
10/30/14	4020	12802 W Willow Ave	El Mirage, AZ 85335	30,000.00
10/30/14	4020	12802 W Willow Ave	El Mirage, AZ 85335	4,251.94
10/31/14	Workout	Principal Payment		(45,740.42)
11/07/14	4627	10769 W Runion Dr	Sun City, AZ 85373	150,000.00
11/07/14	4627	10769 W Runion Dr	Sun City, AZ 85373	45,000.00
11/07/14	4627	10769 W Runion Dr	Sun City, AZ 85373	21,171.88
11/07/14	Workout	Principal Payment		(70,506.79)
11/15/14	Workout	Principal Payment		(45,105.06)
11/21/14	Workout	Principal Payment		(70,262.92)
11/24/14	4122	1431 E Bridgeport Pkwy	Gilbert, AZ 85295	210,000.00
11/24/14	4122	1431 E Bridgeport Pkwy	Gilbert, AZ 85295	48,679.35
12/03/14	4482	10440 W Hammond Ln	Tolleson, AZ 85353	40,580.05
12/03/14	Workout	Principal Payment		(23,130.04)
12/12/14	Workout	Principal Payment		(15,191.31)
12/19/14	Workout	Principal Payment		(9,595.56)
12/22/14	4129	2210 W Marco Polo Rd	Phoenix, AZ 85027	100,000.00
12/22/14	4129	2210 W Marco Polo Rd	Phoenix, AZ 85027	47,909.82
12/24/14	3976	2402 E Yucca St	Phoenix, AZ 85028	200,000.00
12/24/14	3976	2402 E Yucca St	Phoenix, AZ 85028	92,084.39
12/24/14	3976	2402 E Yucca St	Phoenix, AZ 85028	33,524.54
12/31/14	3913	1892 E Ellis Dr	Tempe, AZ 85282	140,000.00
12/31/14	3913	1892 E Ellis Dr	Tempe, AZ 85282	70,971.79
12/31/14	3913	1892 E Ellis Dr	Tempe, AZ 85282	6,135.67
01/02/15	4027	11106 W Dana Ln	Avondale, AZ 85323	130,000.00
01/02/15	4027	11106 W Dana Ln	Avondale, AZ 85323	45,000.00
01/02/15	4027	11106 W Dana Ln	Avondale, AZ 85323	76.68
01/02/15	4034	11571 W Hopi St	Avondale, AZ 85323	100,000.00
01/02/15	4034	11571 W Hopi St	Avondale, AZ 85323	48,280.94
01/02/15	4034	11571 W Hopi St	Avondale, AZ 85323	11,276.45
01/08/15	4501	2216 W Plata Cir	Mesa, AZ 85202	110,000.00
01/08/15	4501	2216 W Plata Cir	Mesa, AZ 85202	38,065.50

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

DenSco Investment Corporation
$5 Million Workout Loan - As of 07/28/16 (Date of Denny Chittick's Death)

Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
01/08/15	4501	2216 W Plata Cir	Mesa, AZ 85202	13,299.35
01/30/15	4289	7703 W Lamar Rd	Glendale, AZ 85303	82,187.05
02/06/15	4227	15677 W Ripple Cir	Goodyear, AZ 85338	80,000.00
02/06/15	4227	15677 W Ripple Cir	Goodyear, AZ 85338	27,110.31
02/20/15	4038	3150 E Beardsley Rd #1076	Phoenix, AZ 85050	100,000.00
02/20/15	4038	3150 E Beardsley Rd #1076	Phoenix, AZ 85050	35,000.00
02/20/15	4038	3150 E Beardsley Rd #1076	Phoenix, AZ 85050	22,074.26
02/24/15	4342	11744 W Hadley St	Avondale, AZ 85323	100,000.00
02/24/15	4342	11744 W Hadley St	Avondale, AZ 85323	32,146.84
03/02/15	3914	3740 E Sexton St	Gilbert, AZ 85295	150,000.00
03/02/15	3914	3740 E Sexton St	Gilbert, AZ 85295	44,051.84
03/02/15	3914	3740 E Sexton St	Gilbert, AZ 85295	5,964.96
03/05/15	4509	1561 E Mia Ln	Gilbert, AZ 85298	200,000.00
03/05/15	4509	1561 E Mia Ln	Gilbert, AZ 85298	32,778.52
03/12/15	3994	9016 S 41st Ln	Laveen, AZ 85339	160,000.00
03/12/15	3994	9016 S 41st Ln	Laveen, AZ 85339	69,213.96
03/12/15	3994	9016 S 41st Ln	Laveen, AZ 85339	21,933.38
03/16/15	4625	114 E Valley View Dr	Phoenix, AZ 85042	120,000.00
03/16/15	4625	114 E Valley View Dr	Phoenix, AZ 85042	3,078.09
03/26/15	4004	7575 E Indian Bend Rd #2123	Scottsdale, AZ 85250	120,000.00
03/26/15	4004	7575 E Indian Bend Rd #2123	Scottsdale, AZ 85250	40,000.00
03/26/15	4004	7575 E Indian Bend Rd #2123	Scottsdale, AZ 85250	8,624.70
04/01/15	4410	9521 E Posada Ave	Mesa, AZ 85212	120,000.00
04/01/15	4410	9521 E Posada Ave	Mesa, AZ 85212	4,096.29
04/08/15	4035	23949 W Hadley St	Buckeye, AZ 85326	48,537.08
04/15/15	4352	3154 W Foothill Dr	Phoenix, AZ 85027	100,000.00
04/15/15	4352	3154 W Foothill Dr	Phoenix, AZ 85027	32,332.52
05/01/15	4229	436 N 159th Ave	Goodyear, AZ 85338	140,000.00
05/01/15	4229	436 N 159th Ave	Goodyear, AZ 85338	51,882.91
05/15/15	4322	3354 W Monona Dr	Phoenix, AZ 85027	80,000.00
05/15/15	4322	3354 W Monona Dr	Phoenix, AZ 85027	7,917.44
05/27/15	4438	6346 W Valencia Dr	Laveen, AZ 85339	87,823.21
05/28/15	4069	3333 W Apollo Rd	Phoenix, AZ 85041	100,000.00
05/28/15	4069	3333 W Apollo Rd	Phoenix, AZ 85041	40,000.00
05/28/15	4069	3333 W Apollo Rd	Phoenix, AZ 85041	12,879.27
05/29/15	4109	12827 W Desert Mirage Dr	Peoria, AZ 85383	130,000.00
05/29/15	4109	12827 W Desert Mirage Dr	Peoria, AZ 85383	68,254.24
05/29/15	4109	12827 W Desert Mirage Dr	Peoria, AZ 85383	26,707.15
05/29/15	4422	8224 S 74th Ave	Laveen, AZ 85339	92,551.37
05/29/15	4508	11530 W Flores Dr	El Mirage, AZ 85335	79,053.14
06/01/15	4637	8742 W Pioneer St	Tolleson, AZ 85353	92,956.23
06/02/15	3977	7771 W Marlette Ave	Glendale, AZ 85303	120,000.00
06/02/15	3977	7771 W Marlette Ave	Glendale, AZ 85303	46,867.99
06/02/15	3977	7771 W Marlette Ave	Glendale, AZ 85303	4,828.34
06/10/15	4540	839 S Chatsworth Cir	Mesa, AZ 85208	99,262.30
06/17/15	Workout	Principal Payment		(86,000.00)
06/26/15	3957	1500 N Markdale #1	Mesa, AZ 85201	120,000.00
06/26/15	3957	1500 N Markdale #1	Mesa, AZ 85201	70,000.00
06/26/15	3957	1500 N Markdale #1	Mesa, AZ 85201	28,296.67
06/26/15	4116	6332 W Sonora St	Phoenix, AZ 85043	60,000.00

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

DenSco Investment Corporation
$5 Million Workout Loan - As of 07/28/16 (Date of Denny Chittick's Death)

Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
06/26/15	4116	6332 W Sonora St	Phoenix, AZ 85043	33,689.72
06/30/15	4308	711 E Potter Dr	Phoenix, AZ 85024	130,000.00
06/30/15	4308	711 E Potter Dr	Phoenix, AZ 85024	62,670.91
07/15/15	3998	2367 E Balsam Dr	Chandler, AZ 85286	230,000.00
07/15/15	3998	2367 E Balsam Dr	Chandler, AZ 85286	103,078.80
07/15/15	3998	2367 E Balsam Dr	Chandler, AZ 85286	2,820.14
07/15/15	3998	2367 E Balsam Dr	Chandler, AZ 85286	7,179.86
07/15/15	3998	2367 E Balsam Dr	Chandler, AZ 85286	24,977.14
07/16/15	4500	10025 W Williams St	Tolleson, AZ 85353	82,401.40
07/30/15	3959	5420 W Sunnyside Dr	Glendale, AZ 85304	100,000.00
07/30/15	3959	5420 W Sunnyside Dr	Glendale, AZ 85304	19,606.50
08/11/15	4343	23827 W Gibson Ln	Buckeye, AZ 85326	110,000.00
08/11/15	4343	23827 W Gibson Ln	Buckeye, AZ 85326	40,000.00
08/11/15	4343	23827 W Gibson Ln	Buckeye, AZ 85326	8,056.39
08/18/15	4093	2360 E Carmel Ave	Mesa, AZ 85204	90,000.00
08/18/15	4093	2360 E Carmel Ave	Mesa, AZ 85204	30,104.35
09/08/15	Workout	Principal Payment		(80,000.00)
09/14/15	Workout	Principal Payment		(100,000.00)
09/17/15	Workout	Principal Payment		(2,400.00)
09/21/15	Workout	Principal Payment		(100,000.00)
09/21/15	Workout	Principal Payment		(1,800.00)
09/28/15	Workout	Principal Payment		(100,000.00)
10/05/15	Workout	Principal Payment		(50,000.00)
				13,656,807.24

Transactions Excluded from Calculation:

03/06/14	Workout	Clark Hill, PLC	38,224.00
04/15/14	Workout	Clark Hill, PLC	30,266.00
05/15/14	Workout	Clark Hill, PLC	11,510.00
12/31/15	Workout	Interest income reallocated to principal	(400,000.00)
		Subtotal:	**(320,000.00)**
		Adjusted Total:	**13,336,807.24**
		$5 Million Workout Loan Balance Per QB:	**13,336,807.24**
		Difference:	-

Appendix B

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

DenSco Investment Corporation
$1 Million Workout Loan - As of 07/28/16 (Date of Denny Chittick's Death)

Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
12/13/13	4584	11509 E Pratt Ave	Mesa, 85212	90,000.00
12/27/13	4545	3150 E Beardsley Rd #1030	Phoenix, 85050	59,332.07
01/02/14	4233	1262 E Clifton Ave	Gilbert, 85295	121,866.92
01/02/14	4626	12614 N 62nd Street	Scottsdale, 85254	149,641.24
01/15/14	4532	516 W Dublin St	Chandler, 85225	57,589.04
01/16/14	4513	16010 N 170th Ln	Surprise, 85388	66,798.72
01/16/14	4516	18425 N 56th Lane	Glendale, 85308	57,724.34
01/16/14	4524	23687 W Wayland Dr	Buckeye, 85326	51,057.68
01/17/14	4573	11634 W Adams St	Avondale, 85323	54,718.72
01/17/14	4574	25863 W St James Ave	Buckeye, 85326	44,801.81
01/17/14	4611	14904 W Port Royale Ln	Surprise, 85379	62,346.80
01/17/14	4628	7752 E Obispo Ave	Mesa, 85212	99,290.55
04/29/14	4307	2681 S Palm St	Gilbert, 85295	34,836.09
04/30/14	4729	8742 W Grovers Ave	Peoria, 85345	52,528.57
			TOTAL:	**1,002,532.55**

Appendix C

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

DenSco Investment Corporation
Non-Workout Loans to Yomtov Scott Menaged, et al. - As of 07/28/16 (Date of Denny Chittick's Death)

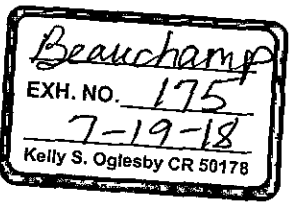
Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
08/14/13	4523-1	10125 E Lobo Ave	Mesa, 85209	160,000.00
01/22/14	4523-2	10125 E Lobo Ave	Mesa, 85209	50,000.00
05/20/16	8005	6013 E Egret St	Cave Creek, 85331	200,200.00
05/23/16	8008	14883 W Bloomfield Rd	Surprise, 85375	201,300.00
05/25/16	8016	9343 E Bahia Dr	Scottsdale, 85260	1,556,800.00
05/26/16	8017	9029 E McDowell Rd	Mesa, 85207	589,500.00
05/26/16	8018	25173 N 73rd Lane	Peoria, 85382	407,800.00
05/26/16	8019	5710 W Desperado Way	Phoenix, 85083	488,400.00
05/27/16	8021	7431 E Nora St	Mesa, 85207	268,500.00
05/27/16	8022	13834 N Burning Tree Pl	Phoenix, 85022	237,400.00
05/27/16	8023	10418 E Champagne Dr	Sun Lakes, 85248	271,100.00
05/27/16	8025	4106 W Saint Kateri Rd	Phoenix, 85041	234,400.00
05/31/16	8026	14850 W Robson Cir N	Goodyear, 85395	348,500.00
05/31/16	8027	4377 N 157th Lane	Goodyear, 85395	386,900.00
05/31/16	8028	11329 S Orion Dr	Goodyear, 85338	412,300.00
05/31/16	8029	914 W Whitten St	Chandler, 85225	399,100.00
05/31/16	8030	5922 W Gail Dr	Chandler, 85226	278,300.00
06/01/16	8032	9904 E Keats Ave	Mesa, 85209	251,800.00
06/01/16	8034	851 E Aberdeen Dr	Gilbert, 85298	243,100.00
06/01/16	8035	1610 W Joan de Arc Ave	Phoenix, 85029	149,300.00
06/01/16	8036	7140 E Medina Ave	Mesa, 85209	296,500.00
06/02/16	8039	7531 N Silvercrest Way	Paradise Valley, 85253	1,554,300.00
06/03/16	8040	2320 E Avenida Del Sol	Phoenix, 85024	302,500.00
06/03/16	8041	13300 E Via Linda #2056	Scottsdale, 85259	346,800.00
06/03/16	8042	13503 E Charter Oak Dr	Scottsdale, 85259	349,500.00
06/06/16	8044	6615 W Via Dona Rd	Phoenix, 85083	328,400.00
06/06/16	8045	9267 E Desert Arroyos	Scottsdale, 85255	751,800.00
06/06/16	8046	1134 W Mulberry Dr	Chandler, 85286	319,600.00
06/06/16	8047	15126 W Rounder Dr	Surprise, 85374	277,500.00
06/07/16	8048	4808 N 24th Street #421	Phoenix, 85016	305,100.00
06/07/16	8049	2513 E Mescal St	Phoenix, 85028	294,400.00
06/07/16	8050	8845 N 4th Street	Phoenix, 85020	259,400.00
06/07/16	8051	3029 W Marconi Ave	Phoenix, 85053	178,500.00
06/07/16	8052	1126 E Utopia Rd	Phoenix, 85024	149,100.00
06/07/16	8053	3901 W Angela Dr	Glendale, 85308	178,100.00
06/08/16	8054	14749 W Lucas Ln	Surprise, 85374	169,100.00
06/08/16	8055	4780 W Piute Ave	Glendale, 58308	198,300.00
06/08/16	8056	14414 N Centruy Dr	Fountain Hills, 85268	298,500.00
06/08/16	8057	3830 W Laredo St	Chandler, 85226	187,400.00
06/08/16	8058	225 W Denton Ln	Phoenix, 85013	213,800.00
06/08/16	8059	43629 N 20th Street	New River, 85087	354,400.00
06/09/16	8060	45905 N 33rd Avenue	New River, 85087	241,100.00
06/09/16	8061	12696 N 77th Avenue	Peoria, 85382	284,500.00
06/09/16	8062	6112 N 31st Court	Phoenix, 85016	634,200.00
06/09/16	8063	4150 W Willow Ave	Phoenix, 85029	179,800.00
06/09/16	8064	8108 N 33rd Drive	Phoenix, 85051	170,700.00
06/10/16	8065	2854 E Baars Crt	Gilbert, 85297	315,800.00
06/10/16	8066	10586 E Morning Star Dr	Scottsdale, 85255	309,400.00
06/10/16	8067	640 E Bird Ln	Litchfield Park, 85340	299,700.00
06/10/16	8068	7542 E Glenn Moore Rd	Scottsdale, 85255	409,500.00
06/10/16	8069	11509 E Rambelwood Ave	Mesa, 85212	257,400.00
06/13/16	8071	19713 N Rim Rd	Surprise, 85374	297,300.00

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

DenSco Investment Corporation
Non-Workout Loans to Yomtov Scott Menaged, et al. - As of 07/28/16 (Date of Denny Chittick's Death)

Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
06/13/16	8072	11843 N 151st Drive	Surprise, 85379	264,100.00
06/13/16	8073	3221 E Campbell Rd	Glbert, 85234	256,700.00
06/13/16	8074	28318 N 246th Drive	Wittmann, 85361	213,200.00
06/13/16	8075	2127 N 124th Drive	Avondale, 85323	246,800.00
06/13/16	8076	1334 W Sunset Crt	Gilbert, 85233	223,100.00
06/14/16	8077	15023 N Escondido Dr	Fountain Hills, 85268	389,700.00
06/14/16	8078	6021 E Sweetwater Ave	Scottsdale, 85254	364,200.00
06/14/16	8079	7130 W Softwind Dr	Peoria, 85383	471,100.00
06/14/16	8080	16421 S 17th Drive	Phoenix, 85045	254,700.00
06/14/16	8081	2343 W Port Au Prince Ln	Phoenix, 85023	163,800.00
06/15/16	8084	4561 S Ranger Crt	Gilbert, 85297	347,900.00
06/15/16	8085	6436 S 23rd Avenue	Phoenix, 85041	181,600.00
06/15/16	8086	375 E Sagebrush St	Gilbert, 85296	280,100.00
06/15/16	8087	1951 E Ivy St	Mesa, 85203	178,300.00
06/15/16	8088	6932 E Loma Land Dr	Scottsdale, 85257	246,500.00
06/15/16	8089	1843 E Donner Dr	Phoenix, 85042	175,100.00
06/16/16	8090	7712 N Moonlight LN	Paradise Valley, 85253	1,661,200.00
06/17/16	8091	2733 W Ocaso Cir	Mesa, 85202	200,900.00
06/17/16	8092	7164 W Planada Ln	Glendale, 85310	370,100.00
06/17/16	8093	21083 W Wycliff Crt	Buckeye, 85326	253,300.00
06/17/16	8094	14342 W Evans Dr	Surprise, 85379	249,700.00
06/17/16	8095	10301 N 70th Street #234	Paradise Valley, 85253	113,800.00
06/17/16	8096	9035 E Oro Ave	Mesa, 85212	251,200.00
06/20/16	8097	28566 N 124th Drive	Peoria, 85383	418,800.00
06/20/16	8098	700 N Dobson RD #52	Chandler, 85224	411,200.00
06/20/16	8099	12805 W Redondo Dr	Litchfield Park, 85340	179,600.00
06/20/16	8100	2113 N 119th Drive	Avondale, 85323	174,500.00
06/20/16	8101	9225 S Leilan Ln	Phoenix, 85041	221,300.00
06/20/16	8102	2131 W Vineyard Rd	Phoenix, 85041	176,800.00
06/21/16	8103	3541 W Vogel Ave	Phoenix, 85051	141,800.00
06/21/16	8104	6313 N 40th Drive	Phoenix, 85019	136,800.00
06/21/16	8105	7960 E Hanover Way	Scottsdale, 85255	1,113,600.00
06/21/16	8106	5109 W Mercer Ln	Glendale, 85304	153,700.00
			TOTAL:	**28,332,300.00**

Exhibit 37



Beauchamp, David G.

From: Beauchamp, David G.
Sent: Wednesday, January 15, 2014 11:52 PM
To: 'dcmoney@yahoo.com'
Cc: Beauchamp, David G.
Subject: Re: Non Disclosure Agreement

Understood. We still need to get Scott to sign the Term sheet and then the Forbearance Agreement to protect DenSco as we proceed. Were you serious about the life insurance policy?

Best, David

David G. Beauchamp
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Wednesday, January 15, 2014 11:27 PM
To: Beauchamp, David G.
Subject: Re: Non Disclosure Agreement

my fear is that between three lawyers and itchy finger Daniel, this will take a long time, 2 more weeks to get on paper to make everyone happy, i don't want to take the chance that they file something because they think we are dragging our feet, even if it's ones and twoies , it's progress and they want their money back, i'm providing that avenue.

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: "'dcmoney@yahoo.com'" <dcmoney@yahoo.com>
Cc: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
Sent: Wednesday, January 15, 2014 11:24 PM
Subject: Re: Non Disclosure Agreement

Denny:

I agree that it shows good faith, and that is how I think. However, I am trying to tell you how Bob or someone on that side has tried to spin it.

Best, David

David G. Beauchamp
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo com]
Sent: Wednesday, January 15, 2014 11:15 PM
To: Beauchamp, David G.
Subject: Re: Non Disclosure Agreement

i understand , however money speaks louder than words. i had told daniel that i thought we could get much of it paid off in 30 days. he doubted that, but was hoping i could perform on that promise. these have to be paid off one way or the other sooner than later. so that's what we are going to do. i can't see anything bad in doing what they want which is to be paid off. i can't write a check for the full amount. i'm trying to pay these off as quickly as my cash will allow me too. i show it as good faith, not a position of weakness.
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Wednesday, January 15, 2014 10:56 PM
Subject: RE: Non Disclosure Agreement

Denny:

I told Bob Miller earlier today that you had paid off one and were going to pay off a couple more in the next day or so. Bob immediately responded that he does not have time for ones or two ___ at a time and his clients are not interested in that. He said that we either this get this all settled or let a court deal with it. I know that he is posturing, but it is important to get something in return for what you do. Otherwise, what you do will be just dismissed as worth nothing, because you gave it to them. Worse yet, it will just cause what they want for settlement to be increased they will want a faster timeline to get this resolved.

Best, David

David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Wednesday, January 15, 2014 10:47 PM
To: Beauchamp, David G.; Yomtov Menaged
Subject: Re: Non Disclosure Agreement

i understand, going down either route other than paying them off is just a freaking mess one to which i dont even want to think about.

we are preparing to pay them off on four loans tomorrow. that alone shoudl buy us some damn time.
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: Denny Chittick <dcmoney@yahoo.com>; Yomtov Menaged <smena98754@aol.com>
Sent: Wednesday, January 15, 2014 10:43 PM
Subject: RE: Non Disclosure Agreement

Denny:

Bob was all over the place in his comments today. I do not think he will file but his client has to make the decision and they do not understand the lack of progress.

Please understand that Jeff did not use the BK word but he said that this seems to be DenSco's problem, because Scott has an easy way out. He did not respond when I asked for clarification.

Best, DAvid

David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Wednesday, January 15, 2014 10:33 PM
To: Yomtov Menaged; Beauchamp, David G.
Subject: Fw: Non Disclosure Agreement

Scott:
Attached is my signed doc. we have to do everything we can to keep this out of litigation. Your attorney according to david and Bob's interpretation isn't really inclined to assist and thinks you could just bk and walk away. i know that's not the plan!

David, if we both sign this and get it back to him tomorrow , will Bob hold off on not filing tomorrow!?
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

----- Forwarded Message -----
From: "Beauchamp, David G." <DBeauchamp@ClarkHill.com>
To: "Denny J. Chittick (dcmoney@yahoo.com)" <dcmoney@yahoo.com>
Sent: Wednesday, January 15, 2014 7:59 PM
Subject: Non Disclosure Agreement

Denny:

Attached is a Non-Disclosure Agreement that has been modified to fit the needs of this transaction. Please review it and let me know if you are satisfied that it will work for this transaction. If so, please share it

with Scott and then we will need to make any changes and get it to Bob Miller's group.

I am completely perplexed. Everything from Bob Miller is "yesterday" and Jeff Goulder is "tomorrow." See my notes below.

I have had several different conversations with (and messages from) Bob Miller asking where are his documents (even though he had not yet agreed at that time to have his client even sign a Confidentiality Agreement). Bob also said that his clients have already talked to other counsel and they are ready to sue to protect their position. I understand that is a negotiating position, but I told him that his actions are completely counter-productive to getting this done. He also wanted me to draft the waiver language that you would agree to for his conflict waiver and I just laughed. He also wanted an email from me with a commitment as to when I would provide all of the documents and the information about where the money is coming from. He said that he will have a complaint filed if they do not have the documents by end of day Thursday and a meeting to resolve all issues on Friday. I said that I would do what I could but no promises.

Then, I finally talked to Jeff Goulder and I think I copied you on my email to him with the original letter from Bob Miller. Jeff said he is tied up in all day firm meetings the next two days. Jeff said that Scott agreed to meet with Jeff in Jeff's office on Monday to discuss how to proceed. Jeff indicated that if this was so important to Scott, Scott should have called and talked to Jeff before today. The impression that I got from Jeff is that he either did not understand the time pressure or that he did not agree that the time pressure was important.

I indicated to Jeff that Bob Miller's clients are other lenders with liens and they are threatening to file suit in court. I also explained that you and Scott would prefer to not have to go into court. I even added that your concern is that all of the lenders go into court and this turns into another Mortgages Limited situation. Jeff responded that is not likely to occur and it will be much more of a problem for you than Scott. (Jeff clearly implied that Scott can just put his entities into bankruptcy and walk away. Do you have personal guarantees from Jeff?) Jeff said that he understood that Scott wanted to help you, but Scott should not put himself in a bad position to help you. I tried to tell him that you are trying to help Scott's problem, but he did not see it that way.

FYI Jeff did not want to talk to Bob Miller, because he said that Miller is going after you and not Scott.

Despite the telephone calls and other issues, I am still trying to finish the terms outline and to send it to you tonight.

Best regards, David

David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Schenck, Daniel A.
Sent: Wednesday, January 15, 2014 6:39 PM
To: Beauchamp, David G.
Subject: NDA

David,

Attached is the NDA of DenSco.

Daniel A. Schenck

CLARK HILL PLC
480.684.1118 (direct) | 480.684.1179 (fax)
Licensed in Arizona, California, Utah and Nevada
dschenck@clarkhill.com | bio | www.clarkhill.com

LEGAL NOTICE: This e-mail is for the exclusive use of the intended recipient(s), and may contain privileged and confidential information. If you are not an intended recipient, please notify the sender, delete the e-mail from your computer and do not copy or disclose it to anyone else. Your receipt of this message is not intended to waive any applicable privilege. Neither this e-mail nor any attachment(s) establish an attorney-client relationship, constitute an electronic signature or provide consent to contract electronically, unless expressly so stated by a Clark Hill attorney in the body of this e-mail or an attachment.

FEDERAL TAX ADVICE DISCLAIMER: Under U. S. Treasury Regulations, we are informing you that, to the extent this message includes any federal tax advice, this message is not intended or written by the sender to be used, and cannot be used, for the purpose of avoiding federal tax penalties.

LEGAL NOTICE: This e-mail is for the exclusive use of the intended recipient(s), and may contain

privileged and confidential information. If you are not an intended recipient, please notify the sender, delete the e-mail from your computer and do not copy or disclose it to anyone else. Your receipt of this message is not intended to waive any applicable privilege. Neither this e-mail nor any attachment(s) establish an attorney-client relationship, constitute an electronic signature or provide consent to contract electronically, unless expressly so stated by a Clark Hill attorney in the body of this e-mail or an attachment.

FEDERAL TAX ADVICE DISCLAIMER: Under U. S. Treasury Regulations, we are informing you that, to the extent this message includes any federal tax advice, this message is not intended or written by the sender to be used, and cannot be used, for the purpose of avoiding federal tax penalties.

LEGAL NOTICE: This e-mail is for the exclusive use of the intended recipient(s), and may contain privileged and confidential information. If you are not an intended recipient, please notify the sender, delete the e-mail from your computer and do not copy or disclose it to anyone else. Your receipt of this message is not intended to waive any applicable privilege. Neither this e-mail nor any attachment(s) establish an attorney-client relationship, constitute an electronic signature or provide consent to contract electronically, unless expressly so stated by a Clark Hill attorney in the body of this e-mail or an attachment.

FEDERAL TAX ADVICE DISCLAIMER: Under U. S. Treasury Regulations, we are informing you that, to the extent this message includes any federal tax advice, this message is not intended or written by the sender to be used, and cannot be used, for the purpose of avoiding federal tax penalties.

01/13/14	DGB	Review, work on and respond to several emails; several telephone conversations with D. Chittick regarding status, process, issues and strategy; prepare for and conference call with R. Miller; review information from R. Miller; work on outline terms for Forbearance; work on same.	4.30
01/14/14	DGB	Review, work on and respond to several emails; telephone conversation with S. Menaged regarding status and strategy with other lenders; telephone conversation with D. Chittick; work on settlement terms and outline for Forbearance Agreement.	3.80
01/14/14	DAS	Legal research regarding qualification language for Forbearance Terms Sheet; email same to D. Beauchamp.	.70
01/14/14	DAS	Attorney conference regarding NDA; prepare NDA; attorney conference regarding same; email same to D. Beauchamp; review draft of Forbearance Term Sheet; attorney conference regarding same.	4.30
01/15/14	DGB	Review, work on and respond to several emails; several telephone conversations with D. Chitttick; work on and prepare detailed Forbearance Term Sheet; Revise and transmit Confidentiality Agreement; work on issues and follow-up; several telephone conversations with R.Miller; review message from J. Goulder; telephone conversation with office of J. Goulder; telephone conversation with J. Goulder; work on and revise detailed Forbearance Term Sheet; transmit Forbearance Term Sheet to D. Chittick; work on additional terms for Forbearance Terms Sheet.	8.80
01/15/14	DAS	Revise Non-Disclosure Agreement.	2.70
01/16/14	DGB	Review, work on and respond to several emails and text messages; several telephone conversations with D. Chittick; several telephone conversations with R. Miller; conference call with D. Chittick and S. Menaged	9.20

		regarding settlements terms, issues and timing; work on and revise terms in Forbearance Terms Sheet; research and work on information for Forbearance Agreement and requirements; provide follow-up information concerning Confidentiality Agreement and Forbearance Terms Sheet.	
01/16/14	DAS	Multiple attorney conferences regarding Term Sheet; review and revise Term Sheet; multiple correspondence regarding same; email same to client; multiple attorney conferences regarding Forbearance Agreement.	3.60
01/17/14	DGB	Review, work on and respond to several emails and text messages; revise Forbearance Terms sheet and transmit same; several telephone conversations with D. Chittick and S. Managed; work on terms and follow-up; review Forbearance Terms Sheet and outline issues for Forbearance Agreement; outline additional issues for Forbearance Agreement to address potential investor claims; telephone conversation with office of R. Miller; outline and work on terms for Forbearance Agreement with R. Anderson.	6.60
01/17/14	RGA	Meeting with D. Schenck regarding history of loans and fraud; review letter from Bryan Cave and documents.	1.00
01/17/14	DAS	Attorney conference regarding procedures with B. Anderson; attorney conference with D. Beauchamp regarding same.	.80
01/20/14	DGB	Review notes, emails and information; outline documents and follow-up.	.80
01/21/14	DGB	Review, work on and respond to several emails; outline provisions and issues for Forbearance Agreement; work on issues; review message from D. Chittick; several telephone conversations with D. Chittick; outline requirements for lien on furniture; work on missing information in Forbearance Terms Sheet; work on Forbearance Agreement issues; request information from D. Chittick.	5.20

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 litigation 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

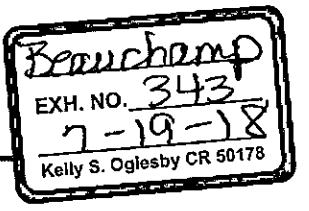
1-17

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 al ittle 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 ½ 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 ifthey 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

Exhibit 38



Message

From: Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]
Sent: 2/7/2014 6:44:53 PM
To: Denny J. Chittick (dcmoney@yahoo.com) [dcmoney@yahoo.com]
Subject: FW: Workshare Professional Document Distribution
Attachments: #200131428v8_ClarkHill_ - Forbearance Agreement (8).DOCX; Forbearance_Ag.Densco(5) - Forbearance Agreement (8).pdf; Forbearance_Ag.Densco(6) - Forbearance Agreement (8).pdf

Denny:

Please note that I changed my previous parenthetical change to Recital G as follows: (though Guarantor acknowledged no fault). The previous language could be construed that you also agreed that Scott was not at fault. Since Jeff will not allow us to put the facts of what happened in this document, you need to be protected if you subsequently learn that something different happened. You should not waive your rights without having a sworn set of facts that you can rely upon.

So do not send the previous draft to Scott, please send the attached version of the redline from 6 to 8, which is the last document listed above.

All the best, David

David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Beauchamp, David G.
Sent: Friday, February 07, 2014 7:37 PM
To: Goulder, Jeffrey (jeffrey.goulder@stinsonleonard.com)
Cc: Denny J. Chittick (dcmoney@yahoo.com)
Subject: Workshare Professional Document Distribution

Jeff

Based on your previous changes, the Forbearance Agreement would be prima facia evidence that Denny Chittick had committed securities fraud because the loan documents he had Scott sign did not comply with DenSco's representations to DenSco's investors in its securities offering documents. Unfortunately, this agreement needs to not only protect Scott from having this agreement used as evidence of fraud against him in a litigation, the agreement needs to comply with Denny's fiduciary obligations to his investors as well as not become evidence to be used against Denny for securities fraud.

The previous version that I had sent to you was basically a complete rewrite of our standard forbearance agreement that I have used in almost 200 forbearance agreements over the last 10 years The previous version that I sent to you was intended to be as fair as possible while setting forth all of the business points that both Denny and Scott had told me in a meeting and over several conference calls (Scott specifically did agree to

pay all costs and related costs in this matter. Scott also proposed and agreed to the $10 million life insurance policy, because they now believe that the outstanding loan balance will be much higher than the previous estimate. The higher loan balance will result in a significant unsecured portion if anything happens to Scott and the Properties are liquidated.)

In addition to the business points, we had intended to make the document as balanced as possible. We wanted the document to set forth the necessary facts for Denny to satisfy his securities obligations to his investors (including that the original loans had to have been written and secured by a first lien on real property and that the workout agreed to by Denny complied with his workout authorization) without having Scott have to admit facts that could cause trouble to him. I had been informed that since "Dan's litigious group" had agreed to get paid off, Scott was not as concerned with stating facts and legal conclusions in the document, but your changes indicated that you are still very concerned. If you do not want the conclusions to be stated in the document, then we have to use another approach.

To try to balance the respective interests, I have inserted sections from the loan documents into the Forbearance Agreement. Referencing the language of the Loan Documents is needed to satisfy Denny's fiduciary obligations, but I have also modified the other provisions so that Borrower is not admitting that it was required to provide first lien position in connection with the loans. Further, I have inserted a parenthetical that "(though Guarantor acknowledged no fault)" in the section where Guarantor (Scott) advises Denny of the additional liens on the Properties. We are also using the Borrower's failure to subordinate or remove the additional liens in 10 days as the applicable default.

Bottom line: Borrower does not admit that the existing loans were to be secured in first lien position, nor that the modified loans will be in first lien position. However, Borrower will obtain a lender's title insurance policy in favor of Lender that will insure Lender in first lien position as the other liens are extinguished on each Property (unless DenSco is paid off). Correspondingly, the respective provisions in the Loan Documents are referenced to satisfy Denny's fiduciary duties to his investors and the Default is acknowledged so that this workout is consistent with the limitations of the scope of Denny's authority.

Sincerely, David

The following files have been attached to this mail by Workshare Professional .

#20013 1428v8_ClarkHill_ - Forbearance Agreement (8).DOCX (WORDX)
Forbearance_Ag.Densco(5) - Forbearance Agreement (8).pdf (PDF)

David G. Beauchamp

CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602 319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

please contact us immediately at the telephone number shown above and take immediate steps to delete the message completely from your computer system. Thank you.

IRS Circular 230 Disclosure: To ensure compliance with the requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended for or written to be used, and cannot be used, for the purpose of (a) avoiding any penalties under the Internal Revenue Code or (b) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("**Agreement**") is executed on February __, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company("**EI**"), whose address is 7320 W. Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("**Borrower**"), Yomtov "Scott" Menaged ("**Guarantor**"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("**New Guarantor**"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("**Lender**"), whose address is 6132 W Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties"). (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined).

Recitals

The following recitals of fact are a material part of this Agreement

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan.

B. Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender

C. Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain Deed of Trust and Assignment of Rents (each a "Deed of Trust", and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A. The Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents"

D Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan... . Borrower has delivered to Lender a promissory note and deed

of trust, and Borrower agrees that the deed of trust that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

E. Each Deed of Trust provides as follows.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, BORROWER AGREES:

. . . .

5. Borrower shall promptly discharge any lien in which has priority over this Deed of Trust unless Borrower. (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender, (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of lien, or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, Lender may give Borrower a notice identifying the lien Borrower shall satisfy the lien or take one or more actions set forth within 10 days of the beginning of the notice.

F Each Note provides as follows:

" A "Default" shall occur (i) . . or (vi) upon the occurrence of any default under any obligation of Maker to Holder Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note)

G. On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property

H At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

I The Loans are now in Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default

J Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower, Guarantor and New Guarantor acknowledge the existing Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

NOW THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1 **Loans Balance**. The total sum now due and payable under the Loans, in aggregate, is approximately $_____, consisting of $ _____in principal, $ _____ in accrued interest (through and including February 1, 2014), $ _____ advanced by Lender in payment of costs and expenses as permitted under the Loans Documents and approximately $_____ in costs and expenses incurred by Lender for collection and enforcement of the Loans Interest continues to accrue under the Loans at the rate of 18 % per annum as provided in the Notes (as opposed to the Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default**. Borrower, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in Default, and that as a result of such Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law.

3 **Continued Effect of Loans Documents**. Borrower, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower, Guarantor and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property.

4 **Forbearance by Lender on Conditions; Effect of Breach** Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any

covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity** Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2015, provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6 **Borrower's Actions**. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to (i) liquidate other assets, which is expected to generate approximately $4 to $5 million US Dollars, (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein)

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of ____ or better from _____) and reasonably approved by Lender, in the amount of $10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been fully satisfied

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees

of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement.

(D) Borrower agrees to provide Lender with a separate corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms

(F) Borrower has arranged for private outside financing (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule (i) approximately $1,000,000 on or before March 20, 2014, and (ii) approximately $____ on or before _____ ____, 2014 Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein),

(G) Borrower has agreed to inform Lender of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. Lender agrees to keep such information on a confidential basis, provided, however, Lender will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals on a confidential basis.

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to used its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations

to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral.

(L) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or reasonable attorneys' fees, incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors), the default of Borrower in connection with the Loans Documents, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders.

7. **Lender's Actions**. Subject to the full compliance of Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender The additional funds advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan").

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement, Lender will defer the right to charge the Default Interest rate which is permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with its respective obligations under this Agreement, Borrower shall then be liable for Default Interest at the Default Interest rate set forth in the Loan Documents on all outstanding Notes.

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand

9. **Grace and Cure Periods**. If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within five (5) business days of receiving email or telephonic notice from Lender No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

10 **Release of Lender; Waiver of Claims and Defenses**. As a material part of the consideration for Lender's execution of this Agreement, Borrower, Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans. Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11. **Further Documents** Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement

12. **Authorization of Agreement**. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution.

13. **Costs and Expenses** Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing

14. **Time of the Essence** Time is of the essence of all agreements and obligations contained herein.

15. **Construction of Agreement**. If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents.

16 **Ratification and Agreements by Guarantor**. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise); agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

17. **Entire Agreement; No Oral Agreements Concerning Loans**. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower, Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower, Guarantor or New Guarantor under any circumstances.

18. **Ratification of Workout** The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately $_ _____, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

Borrower:

ARIZONA HOME FORECLOSURES, LLC

By:_____
Yomtov "Scott" Menaged
Its Member

EASY INVESTMENTS, LLC

By:_____
Yomtov "Scott" Menaged
Its: Member

Guarantor:

_____
Yomtov "Scott" Menaged

New Guarantor.

FURNITURE KING, LLC

By._____
Yomotov "Scott" Menaged
Its Manager

Lender:

DENSCO INVESTMENT CORPORATION

By:_____
Denny Chittick
Its: President

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this___ day of ___ _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

DB04/1003619.0002/10352141.3

200131428.8 43930/168850

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires:

_____

DB04/1003619.0002/10352141.3

200131428.8 43930/168850

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires

_____

DB04/1003619.0002/10352141.3

200131428.8 43930/168850

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____ , 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

DB04/1003619.0002/10352141 3

200131428.8 43930/168850

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("**Agreement**") is executed on February __, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company("**EI**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("**Borrower**"), Yomtov "Scott" Menaged ("**Guarantor**"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("**New Guarantor**"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("**Lender**"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties") (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined).

Recitals

The following recitals of fact are a material part of this Agreement:

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by ~~certain promissory notes,~~a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan. ~~[DAVID – PLEASE PROVIDE EXHIBIT A]~~

B. Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender.

C. ~~The~~Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain ~~Deeds~~Deed of Trust and Assignment of Rents (each a "Deed of Trust", and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower. The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A The ~~Note,~~Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents"

D. ~~Certain of the Properties were also used as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on the respective~~

~~Property~~ Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan. . . . Borrower has delivered to Lender a promissory note and deed of trust, and Borrower agrees that the deed of trust that the deed of trust shall be recorded against the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed."

E. Each Deed of Trust provides as follows:

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, BORROWER AGREES:

. . . .

5. Borrower shall promptly discharge any lien in which has priority over this Deed of Trust unless Borrower. (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender, (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of lien, or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more actions set forth within 10 days of the beginning of the notice.

F. Each Note provides as follows.

" A "Default" shall occur (i) . . . . or (vi) upon the occurrence of any default under any obligation of Maker to Holder. Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived." ("Default" shall have the meaning set forth in the Note).

G. On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property.

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above. Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

~~H~~I. The Loans are now in ~~default~~Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such ~~default~~Default.

~~I~~J. Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower ~~and~~, Guarantor and New Guarantor acknowledge the existing ~~default~~Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower ~~and~~, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

NOW THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **Loans Balance**. The total sum now due and payable under the Loans, in aggregate, is approximately $_____ , consisting of $ _____ in principal, $ _____ in accrued interest (through and including ~~_____~~ February 1, 2014), $_____ advanced by Lender in payment of ~~_____~~ costs and expenses as permitted under the Loans Documents and approximately $_____ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of ~~_____~~ 18 % per annum as provided in the Notes (as opposed to the ~~default~~Default Interest rate set forth in the Notes).

2 **Acknowledgment of Default**. Borrower ~~and~~, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in ~~default~~Default, and that as a result of such ~~default~~Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law

3 **Continued Effect of Loans Documents**. Borrower ~~and~~, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower and Guarantor in accordance with their respective terms, and that to the collective knowledge of Borrower ~~and~~, Guarantor ~~'s knowledge~~ and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower ~~and/or~~, Guarantor or New Guarantor as described in the Loans Documents ~~—~~ and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property.

4. **Forbearance by Lender on Conditions; Effect of Breach**. Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower ~~and~~, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower ~~or~~, Guarantor ~~fail~~or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the ~~Loan~~Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity**. Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing ~~default~~Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, ~~2016~~2015; provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6 **Borrower's Actions**. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled:

(A) Borrower agrees to use its good faith efforts to: (i) liquidate other assets, which is expected to generate approximately $4 to $5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above. Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of ____ or better from _____) and reasonably approved by Lender, in the amount of $~~5,000,000~~10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been ~~full~~fully satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement. ~~[DAVID – PLEASE PROVIDE COPIES OF THESE DOCUMENTS.]~~

(D) Borrower agrees to provide Lender with a separate ~~personal~~corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms

(F) Borrower has arranged for private outside financing ~~in the amount of approximately $1,000,000~~ (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule: (i) approximately $1,000,000 on or before March 20, ~~2014~~2014; and (ii) approximately $ _____ on or before _____, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein),

(G) Borrower has agreed to inform Lender of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. Lender agrees to keep such information on a confidential basis, provided, however, Lender will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals on a confidential basis.

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to used its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor.

(~~I~~J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral.

(L) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or reasonable attorneys' fees, incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors), the default of Borrower in connection with the Loans Documents, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders~~, up to a total of $_____~~.

7. **Lender's Actions**. Subject to the full compliance of ~~the~~ Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds ~~advance~~advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property.

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan")

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement~~.~~, Lender will ~~waive~~defer the right to charge the ~~default~~Default Interest rate which is ~~or may be~~ permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with ~~these~~its

respective obligations~~, however, it~~ under this Agreement, Borrower shall then be liable for ~~interest~~Default Interest at the ~~default~~Default Interest rate set forth in the Loan Documents on all outstanding Notes.

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand.

~~9. Additional Collateral Required. [Already covered above]~~

9. **Grace and Cure Periods**. If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within five (5) business days of receiving ~~written demand from Lender~~email or telephonic notice from Lender. No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly.

10. **Release of Lender; Waiver of Claims and Defenses**. As a material part of the consideration for Lender's execution of this Agreement, Borrower ~~and~~, Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11. **Further Documents**. Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

12. **Authorization of Agreement**. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of

Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution

13 **Costs and Expenses** ~~**ALREADY COVERED BY ¶ 6(K).**~~Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing.

~~13.~~14. **Time of the Essence**. Time is of the essence of all agreements and obligations contained herein

~~14.~~15. **Construction of Agreement**. If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents

~~15.~~16. **Ratification and Agreements by Guarantor**. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise), agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance, ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

~~16.~~17. **Entire Agreement; No Oral Agreements Concerning Loans**. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever. Lender has not promised or agreed in any manner to extend the maturity of the

Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower ~~and~~, Guarantor and New Guarantor with all terms and conditions of this Agreement. Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower ~~or~~, Guarantor or New Guarantor under any circumstances.

~~17~~18. **Ratification of Workout** The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower ~~and~~, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November ~~____~~27, 2013, to the date first stated above, regarding and /or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties, with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately $_____, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower ~~and~~, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written.

Borrower:

ARIZONA HOME FORECLOSURES, LLC

By:_____
Yomtov "Scott" Menaged
Its: Member

EASY INVESTMENTS, LLC

By:_____
Yomtov "Scott" Menaged
Its. Member

Guarantor:

_____
Yomtov "Scott" Menaged

New Guarantor.

FURNITURE KING, LLC

By _____
Yomotov "Scott" Menaged
Its Manager

Lender:

DENSCO INVESTMENT CORPORATION

By:_____
Denny Chittick
Its President

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires:

_____ _____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

Notary Public

My Commission Expires:

DB04/1003619.0002/10352141 3

~~20013142 8.5~~20013142 8.8 43930/168850

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this _ _ day of _____, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

_____
Notary Public

My Commission Expires:

_ _ _____

Document comparison by Workshare Compare on Friday, February 07, 2014 7:09:25 PM

Input:	
Document 1 ID	interwovenSite://DETDMS1/ClarkHill/200131428/5
Description	#200131428v5<ClarkHill> - Forbearance_Ag Densco(5)
Document 2 ID	interwovenSite://DETDMS1/ClarkHill/200131428/8
Description	#200131428v8<ClarkHill> - Forbearance Agreement (8)
Rendering set	standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	112
Deletions	64
Moved from	1
Moved to	1
Style change	0
Format changed	0
Total changes	178

FORBEARANCE AGREEMENT

THIS FORBEARANCE AGREEMENT ("**Agreement**") is executed on February __, 2014, by and among Arizona Home Foreclosures, LLC, an Arizona limited liability company ("**AHF**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308, Easy Investments, LLC, an Arizona limited liability company("**EI**"), whose address is 7320 W Bell Road, Glendale, Arizona 85308 (AHF and EI are collectively referred to as the ("**Borrower**"), Yomtov "Scott" Menaged ("**Guarantor**"), whose address is 10510 East Sunnyside Drive, Scottsdale, Arizona, Furniture King, LLC, an Arizona limited liability Company ("**New Guarantor**"), whose address is 303 N. Central Avenue, Suite 603, Phoenix, AZ 85012, and DenSco Investment Corporation, an Arizona corporation ("**Lender**"), whose address is 6132 W. Victoria Place, Chandler, Arizona 85226, (the Borrower, the Guarantor, the New Guarantor, and Lender are each considered a "Party" hereunder and are collectively referred to as the "Parties"). (Any capitalized term not defined in this Agreement shall have the meaning set forth in the Deeds of Trust as later defined)

Recitals

The following recitals of fact are a material part of this Agreement

A. Borrower is indebted to Lender under the terms of certain Loans (the "Loans"), which are listed on the attached Exhibit A, which is incorporated into this Agreement by this reference, and each are evidenced by a Note Secured by Deed of Trust (each, a "Note" and collectively, the "Notes"), all of which were executed by Borrower in favor of Lender (the "Notes") and by a Mortgage (or a "Receipt and Mortgage") (each, a "Mortgage", and collectively, the "Mortgages"), and each such Note and Mortgage was executed by Borrower and delivered to Lender, as a condition precedent to and immediately prior to the funding of the applicable Loan.

B Guarantor guaranteed the payment and performance of each of the Loans (the "Guaranty"), executed by Guarantor in favor of Lender.

C. Each of the Loans are further evidenced and/or secured by various documents and instruments, including but not limited to a certain Deed of Trust and Assignment of Rents (each a "Deed of Trust", and collectively, the "Deeds of Trust"), executed by Borrower at the funding of the Loan in favor of Lender and recorded in conjunction with the Trustee's Deed conveying the real property to Borrower The Deeds of Trust constitute a lien on the respective real properties described therein (individually a "Property" and collectively, the "Properties") and referenced in Exhibit A The Notes, the Mortgages, the Deeds of Trust, the Guaranty, the other document(s) described above and all other documents and instruments evidencing and/or securing the Loans, as originally written or previously modified, and all amendments and renewals thereof and replacements therefor, are referred to collectively herein as the "Loans Documents"

D. Each of the Mortgages provides: "Borrower hereby grants to Lender or assignee a first, prior and superior equitable lien and mortgage against the Real Property to secure payment of the Loan Borrower has delivered to Lender a promissory note and deed of trust, and Borrower agrees that the deed of trust that the deed of trust shall be recorded against

the Real Property as a first, prior and superior lien and encumbrance simultaneously with the recording of the Trustee's Deed "

E. Each Deed of Trust provides as follows

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, BORROWER AGREES:

5 Borrower shall promptly discharge any lien in which has priority over this Deed of Trust unless Borrower (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of lien, or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, Lender may give Borrower a notice identifying the lien Borrower shall satisfy the lien or take one or more actions set forth within 10 days of the beginning of the notice

F Each Note provides as follows.

" A "Default" shall occur (i) or (vi) upon the occurrence of any default under any obligation of Maker to Holder Further, at Holder's option after Default, all remaining unpaid principal and accrued interest shall become due and payable immediately without notice (other than any declaration prescribed in applicable sections of the agreements under which such events of default arose), presentment, demand or protest, all of which hereby are waived " ("Default" shall have the meaning set forth in the Note)

G On or about November 27, 2013, Guarantor met with Denny Chittick of Lender to inform Lender that certain of the Properties had also been used (though Guarantor acknowledged no fault) as security for one or more loans from one or more other lenders (individually, the "Other Lender" and collectively, the "Other Lenders") and the Loans from Lender may not be in the first lien position on each respective Property, ~~as required by the Loans Documents as indicated above~~

H. At the November 27 meeting, Guarantor acknowledged to Lender that Borrower had an obligation to discharge the liens of the Other Lenders or to take such other actions to satisfy Section 5 of each Deed of Trust within 10 days, as referenced above Further, Borrower and Guarantor acknowledged that the meeting satisfied Lender's obligation to provide notice to Borrower and Guarantor of an action leading to a Default pursuant to each of the Loan Documents.

I The Loans are now in Default (as defined in the Note) and Lender has provided Borrower with any and all notice required under each of the Loans Documents concerning such Default

J Borrower has requested that Lender forbear in the pursuit of Lender's remedies, and Lender is willing to forbear such pursuit, but only so long as and on the conditions that (1) Borrower, Guarantor and New Guarantor acknowledge the existing Defaults under the Loans, (2) all liens, security interests, rights and remedies of Lender under the Loans Documents continue in full force and effect and (3) Borrower, Guarantor and New Guarantor fulfill all conditions and comply with all terms and provisions set forth in this Agreement, and furnish all other documents and perform all other acts necessary to give effect to the agreements hereinafter set forth.

NOW THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows·

1. **Loans Balance**. The total sum now due and payable under the Loans, in aggregate, is approximately $___ , consisting of $ __ _ ____in principal, $_____ in accrued interest (through and including February 1, 2014), $_____ advanced by Lender in payment of costs and expenses as permitted under the Loans Documents and approximately $_____ in costs and expenses incurred by Lender for collection and enforcement of the Loans. Interest continues to accrue under the Loans at the rate of 18 % per annum as provided in the Notes (as opposed to the Default Interest rate set forth in the Notes).

2. **Acknowledgment of Default** Borrower, Guarantor and New Guarantor hereby acknowledge and agree that the Loans are in Default, and that as a result of such Default, Lender now has the right to pursue foreclosure and any and all other rights and remedies permitted to Lender under the Loans Documents and/or under applicable law

3. **Continued Effect of Loans Documents**. Borrower, Guarantor and New Guarantor further acknowledge and confirm that the Loans Documents have been duly authorized, executed and delivered to Lender and are valid, binding and enforceable against Borrower, and Guarantor ~~and New Guarantor~~ in accordance with their respective terms, and that to the collective knowledge of Borrower, Guarantor and New Guarantor, all liens and security interests created in favor of Lender under the Loans Documents have been validly created and duly perfected as encumbrances upon all Properties and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents and as modified by this Agreement. Upon the satisfaction of the lien of the applicable Other Lender with respect to a Property, the lien and security interest created in favor of Lender under the Loans Documents will be deemed to be validly created and duly perfected as an encumbrance upon the respective Property and collateral of Borrower, Guarantor or New Guarantor as described in the Loans Documents. Further, Borrower shall cause to be provided to Lender a Lender's title insurance policy issued by a nationally-recognized title company, reasonably acceptable to Lender insuring that Lender's encumbrance in such Property, as evidenced by the respective Deed of Trust, shall constitute a valid and enforceable first and prior lien to any other encumbrance on the respective Property

4 **Forbearance by Lender on Conditions; Effect of Breach**. Lender hereby agrees to forbear pursuit of its rights and remedies under the Loans Documents and/or under applicable law, but only so long as and on the conditions that Borrower, Guarantor and New Guarantor pay all sums, perform all covenants and agreements and do all acts and things required of them hereunder. If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any

covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Lender may cease such forbearance and may immediately commence and pursue any or all rights and remedies Lender may have under the Loans Documents and/or under applicable law as to any or all of the collateral or security for the Loans, all in such order and manner as Lender may elect from time to time in its sole discretion and without notice of any kind to Borrower, Guarantor, New Guarantor or any other person, as if this Section 4 had never been agreed to by Lender. Lender's agreement herein to forego immediate pursuit of its rights and remedies constitutes a postponement and forbearance only, and does not in any event constitute a waiver of any such rights or remedies.

5. **No Effect on Existing Default; Extension of Maturity**. Neither the execution and delivery of this Agreement or any other document or instrument required hereunder nor the consummation of the transactions and agreements set forth in this Agreement shall in any manner rescind or cure any existing Default under the Loans Documents, reinstate the Loans to a current status, or constitute an accord and satisfaction of the Loans. Notwithstanding this provision, the maturity date of all of the Loans is hereby extended to February 1, 2015; provided, however, Lender, at its sole discretion, may further extend the maturity date of all of the Loans to February 1, 2016, so long as Borrower, Guarantor and New Guarantor have complied and are in compliance with the terms of this Agreement.

6 **Borrower's Actions**. Lender's continued performance of the terms of this Agreement is conditioned upon each of the following obligations being fulfilled·

(A) Borrower agrees to use its good faith efforts to· (i) liquidate other assets, which is expected to generate approximately $4 to $5 million US Dollars; (ii) apply all net proceeds from the rental of Borrower's other real estate assets, or the net proceeds from the acquisition and disposition of other real estate or other assets by Borrower, and (iii) apply all funds received from Borrower's continued good faith efforts to recover any other asset that can be recovered from the missing proceeds from the multiple Loans that were advanced from Lender and Other Lenders with respect to certain properties as referenced above Any additional funds obtained and / or made available to Borrower pursuant to this subsection shall be made available to and used by Borrower in connection with the resolution of the lien disputes between Lender and Other Lenders as referenced above (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower as provided herein).

(B) Borrower agrees to provide Lender, and maintain in effect, a life insurance policy from a nationally-recognized life insurance carrier (with a rating of ____ or better from _____) and reasonably approved by Lender, in the amount of $10,000,000, insuring the life of Guarantor with Lender named as the sole beneficiary, until all obligations pursuant to the Agreement have been fully satisfied.

(C) Borrower agrees to provide Lender with a separate personal guaranty from Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents, and this Agreement, and such Guaranty shall be in commercially reasonable form for a lender loaning a similar aggregate amount of money to a borrower as Lender is loaning in the aggregate to Borrower. Further, Borrower agrees to provide a re-affirmation and consent from Guarantor to restate and re-affirm his personal obligations as set forth in his outstanding personal guarantees

of Lender's Loans to Borrower, so that the terms and provisions of this Agreement will not cause or create any waiver of such guarantees, but rather will ratify and guarantee all of the Borrower's obligations, as such obligations may be increased by the actions of Lender and Borrower pursuant to the terms and provisions of this Agreement

(D) Borrower agrees to provide Lender with a separate corporate guaranty from New Guarantor, guaranteeing all of Borrower's obligations under the Loans Documents and this Agreement, to be secured by a lien against all of New Guarantor's inventory, accounts, and assets.

(E) Except for Lender, Borrower agrees to continue to pay the interest due to the Other Lenders for loans secured by any of the Properties, and any other similarly situated lender on a timely basis and to keep each of such loans current and in compliance with their respective terms

(F) Borrower has arranged for private outside financing (the "Outside Funds"), which is to be provided to Borrower in the approximate amounts and on the following prospective schedule· (i) approximately $1,000,000 on or before March 20, 2014; and (ii) approximately $_____ on or before _____ ____, 2014. Such Outside Funds shall be used exclusively for the pay-off of the Other Lenders and any other similarly situated lender (and any balance to be paid to Lender to reduce the amount of Lender's Additional Loan to Borrower, as provided herein),

(G) Borrower has agreed to inform Lender of all of the terms of Borrower's transaction to obtain the Outside Funds and the security provided for such Outside Funds. Lender agrees to keep such information on a confidential basis, provided, however, Lender will be able to provide such terms and information to its investors, legal counsel, accountants and other applicable professionals on a confidential basis.

(H) During the term of this Agreement, Borrower, Guarantor and New Guarantor agree to use good faith efforts to satisfy and pay-off any and all financial obligations secured by liens in favor of the applicable Other Lender with respect to a Property. The Borrower and Lender shall cooperate to agree upon a sequencing schedule (which will need to be adjusted on a reasonable basis) to satisfy and release the liens of the Other Lenders on the applicable Properties. Borrower agrees to used its Good Faith Efforts to cause the liens of the Other Lenders to be satisfied and released on or before nine (9) months from the execution of this Agreement.

(I) Borrower, Guarantor, New Guarantor and Lender acknowledge and agree that this Agreement shall not constitute nor create a joint venture or partnership arrangement between or among Lender and any of the Borrower or Guarantor

(J) If Borrower, Guarantor or New Guarantor fail to pay any sum or to perform any covenant, agreement or obligation owed to Lender under any of the Loans Documents, as modified by this Agreement, Borrower agrees to provide any additional collateral ("Additional Security") to Lender, as may be requested by Lender, to secure Borrower's existing obligations to

Lender and to secure the additional obligations that Lender is agreeing to provide pursuant to this Agreement.

(~~J~~K) Execution, delivery and filing or recording (with all costs thereof paid by Borrower) of all documents and instruments required to create ~~first and prior liens, as applicable, upon and/or security interests in the~~the required liens on the respective Properties as required by the Loans Documents or to create a security interest in any Additional Collateral

(~~K~~L) Borrower agrees to reimburse all costs and expenses, including without limitation title reports, amendments or title insurance, investigation fees, and / or reasonable attorneys' fees, ~~reasonably~~ incurred by Lender in connection with this Agreement (or the effect of this Agreement on Lender's business and with its investors), the default of Borrower in connection with the Loans Documents, or the existing and / or any future lien disputes with the Other Lenders or any other similarly situated lenders.

7 **Lender's Actions**. Subject to the full compliance of Borrower, Guarantor, and New Guarantor to each of their respective obligations, as detailed in this Agreement, the Lender will perform the following obligations:

(A) Lender agrees to increase the Loan amount of each of the Properties referenced in Exhibit A up to 95% of the loan-to-value ("LTV") ratio of the value of the respective Properties, as determined by Lender. The additional funds advanced to Borrower shall be used to pay off the Other Lender and release its security interest in that Property

(B) Lender will defer (but not waive) the collection of interest from the Borrower on the Loans to the Borrower during the process to fund the amount due to the Other Lenders; and all deferred interest on the Notes from Borrower shall be paid to Lender on or before the payoff of the respective Note.

(C) Lender will provide a new loan to Borrower in the amount up to 1 Million US Dollars, which loan is to provide for multiple advances, earn 3% annual interest to be secured by a first lien position against certain real property or properties to be approved by Lender, in its sole discretion, and the obligation is to be personally guaranteed by Guarantor and New Guarantor (the "Additional Loan").

(D) Provided that Borrower, Guarantor and New Guarantor each complies with all of its respective obligations under this Agreement, Lender will defer the right to charge the Default Interest rate which is permitted pursuant to the terms of the Loans Documents. If any of Borrower, Guarantor or New Guarantor fails to comply with its respective obligations under this Agreement, Borrower shall then be liable for Default Interest at the Default Interest rate set forth in the Loan Documents on all outstanding Notes

8. The entire principal sum and all accrued interest, costs, expenses, disbursements and fees due under the terms and provisions of the Notes and all other sums payable under the Loans Documents shall be due and payable in full on February 1, 2016 in any event, without notice or demand.

9. **Grace and Cure Periods**. If Borrower fails to comply with any non-monetary obligation undertaken by it through this Agreement, Borrower shall be in default of this Agreement if it fails to satisfy the non-monetary obligation within five (5) business days of receiving email or telephonic notice from Lender. No such notice shall be required if Borrower fails to comply with any monetary obligation. Except for the non-monetary notice required above, all other notice provisions of the Loans Documents requiring any other notice to Borrower or any other person as a condition precedent to the existence of any breach, default or event of default or to any acceleration or other remedial action by Lender, permitting or granting any grace period after the giving or receipt of any notice for the cure of any breach, default or event of default under the Loans Documents prior to acceleration or other remedial action by Lender are hereby deleted, and all Loans Documents are hereby modified accordingly

10. **Release of Lender; Waiver of Claims and Defenses**. As a material part of the consideration for Lender's execution of this Agreement, Borrower, Guarantor and New Guarantor each hereby unconditionally and irrevocably release and forever discharge Lender and all of its directors, officers, employees, agents, attorneys, affiliates and subsidiaries from all liabilities, obligations, actions, claims, causes of action, suits, proceedings, damages, demands, costs and expenses whatsoever arising from or relating to any alleged or actual act, occurrence, omission or transaction occurring or happening prior to or on the date of this Agreement, including but not limited to any of the foregoing relating to the making, administration or enforcement of the Loans Without limiting the foregoing, Borrower and Guarantor hereby unconditionally and irrevocably waive any and all defenses and claims existing or arising (or based on facts or circumstances actually or allegedly existing or arising) prior to or on the date of this Agreement which might otherwise limit their unconditional joint and several liability for all sums due under the Loans.

11 **Further Documents**. Borrower, Guarantor, and New Guarantor each hereby agree to execute any and all further documents and instruments required by Lender and to do all other acts and things necessary to give effect to the terms and provisions of this Agreement and/or to create and perfect all liens and security interests granted to Lender under the Loans Documents or required under this Agreement.

12 **Authorization of Agreement**. The execution and delivery of this Agreement has been duly authorized by all necessary corporate or partnership action of Borrower, Guarantor (as applicable) and New Guarantor, and the individuals executing this Agreement on behalf of Borrower, Guarantor and/or New Guarantor have been duly authorized and empowered to bind Borrower, Guarantor and/or New Guarantor by such execution

13. **Costs and Expenses**. Borrower hereby agrees to pay on demand any and all costs and expenses, including but not limited to attorneys' fees, incurred by Lender in connection with (A) the negotiation, preparation, filing and/or recording of this Agreement and all other documents and instruments required to give effect to this Agreement and/or to create and perfect the liens, security interests, assignments and/or pledges contemplated hereunder or under the Loans Documents and/or (B) the collection of the Loans and/or the enforcement of the Loans Documents. Guarantor and New Guarantor shall each be liable for all of their respective

foregoing costs and expenses pursuant to their respective guarantees. Lender shall have no liability whatsoever for any of the foregoing

14. **Time of the Essence**. Time is of the essence of all agreements and obligations contained herein.

15. **Construction of Agreement**. If any provision of this Agreement conflicts with any provision of any Loans Documents, the applicable provision of this Agreement shall control.

As used herein, words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

The titles and captions in this Agreement are used for convenience of reference only and do not define, limit or control the scope, intent or effect of any provisions of this Agreement.

No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted all or any portion of this Agreement, any other document required hereunder or in connection with any Loans Documents

16. **Ratification and Agreements by Guarantor**. Guarantor hereby acknowledges and consents to the terms of this Agreement, agrees to be bound by all terms and provisions hereof and of any and all documents and instruments executed by Borrower in connection with and/or as contemplated in this Agreement; acknowledges and confirms that Guarantor is and shall remain liable for all indebtedness and obligations now or hereafter owed by Borrower to Lender in connection with the Loans (pursuant to this Agreement and the Loans Documents or otherwise), agrees that Guarantor's said liability shall not be released, reduced or otherwise affected by the execution of this Agreement, by any changes in the effect of the Loans Documents under the terms of this Agreement, by Lender's receipt of any additional collateral for the Loans, by the consummation of any transactions relating hereto, or by any other existing fact or circumstance; ratifies the Guaranty as security for the Loans; and confirms that the Guaranty remains in full force and effect.

17 **Entire Agreement; No Oral Agreements Concerning Loans**. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof, which agreement shall not be varied by any alleged or actual oral statements or parol evidence whatsoever Lender has not promised or agreed in any manner to extend the maturity of the Loans, to restructure the Loans or any security therefor, to modify any terms of the Loans Documents or the effect thereof, to forbear in the commencement, exercise or pursuit of any right or remedy Lender has under the Loans Documents or applicable law, to release or adversely affect any lien or security interest previously or concurrently granted in favor of Lender, or to forego the benefit of any term, provision or condition of the Loans Documents, except as may be otherwise specifically provided in this Agreement and subject in all instances to strict compliance by Borrower, Guarantor and New Guarantor with all terms and conditions of this Agreement Except as specifically provided in this Agreement (and so long as Borrower is in compliance with the terms of this Agreement), Lender has not agreed or become obligated, whether by

negotiating or executing this Agreement or otherwise, to make any new Loans or to extend any new credit to Borrower, Guarantor or New Guarantor under any circumstances.

18. **Ratification of Workout**. The parties acknowledge and agree that the terms and conditions of this Agreement are part of but not the entire body of a mutual workout arrangement between the parties for a resolution of a dispute regarding the Loans. Borrower, Guarantor and New Guarantor each hereby ratify, consent to, and agree to all of Lender's actions, from November 27, 2013, to the date first stated above, regarding and/or related to the claims of the Other Lenders alleging that the encumbrances for their loans were in first priority for the subject Properties; with the actions of the Lender including, without limitation, Lender lending Borrower an additional amount of approximately $__ _____, in the aggregate, with said funds being used towards satisfaction of certain loans from the Other Lenders. Borrower, Guarantor and New Guarantor each ratify and agree that the Lender's loans for said Properties have increased by the amounts that Lender paid toward satisfaction of the respective Other Lenders' loans for the subject Properties and Lender's Loans will continue to increase by the amount that Lender will advance to Borrower (or pay toward) for the satisfaction of the respective Other Lenders' Loans or in connection with Lender's rights or obligations pursuant to the Loans Documents as modified by this Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the undersigned Parties have executed this Agreement on the date first above written

Borrower

ARIZONA HOME FORECLOSURES, LLC

By _____
Yomtov "Scott" Menaged
Its. Member

EASY INVESTMENTS, LLC

By _____
Yomtov "Scott" Menaged
Its Member

Guarantor:

_____
Yomtov "Scott" Menaged

New Guarantor:

FURNITURE KING, LLC

By: _____
Yomotov "Scott" Menaged
Its: Manager

Lender:

DENSCO INVESTMENT CORPORATION

By. _____
Denny Chittick
Its: President

EXHIBIT A

LENDER LOANS AND ENCUMBERED PROPERTIES

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this_ _ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of ARIZONA HOME FORECLOSURES, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires.

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the authorized Member of EASY INVESTMENTS, LLC, an Arizona limited liability company, and said Yomtov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires.

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomtov "Scott" Menaged, to me personally known, who being by me duly sworn, did acknowledged execution of the foregoing instrument as the Guarantor.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires:

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ____ day of _____, 2014, before me appeared Yomotov "Scott" Menaged, to me personally known, who being by me duly sworn, did say that he/she is the Manager of FURNITURE KING, LLC, an Arizona limited liability company, and said Yomotov "Scott" Menaged acknowledged execution of the foregoing instrument to be the free act and deed of said company.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written

_____
Notary Public

My Commission Expires

_____

ACKNOWLEDGMENTS

STATE OF ARIZONA)
) SS
COUNTY OF MARICOPA)

On this ___ day of _____, 2014, before me appeared Denny Chittick, to me personally known, who being by me duly sworn, did say that he/she is the President of DENSCO INVESTMENT CORPORATION, an Arizona corporation, and said Denny Chittick acknowledged execution of the foregoing instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year last above written.

Notary Public

My Commission Expires

_____

Document comparison by Workshare Compare on Friday, February 07, 2014 7:43:06 PM

Input:	
Document 1 ID	interwovenSite://DETDMS1/ClarkHill/200131428/6
Description	#200131428v6<ClarkHill> - Forbearance_Ag.Densco(6)
Document 2 ID	interwovenSite://DETDMS1/ClarkHill/200131428/8
Description	#200131428v8<ClarkHill> - Forbearance Agreement (8)
Rendering set	standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	15
Deletions	9
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	24

Exhibit 39

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 2/3/2014 3:43:53 PM
To: Scott Menaged [smena98754@aol.com]
Subject: Re: Debbie

have you put a call in to jeff to get him on the phone with david and pound through their language arts assignment?

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

From: Scott Menaged <smena98754@aol.com>
To: Denny Chittick <dcmoney@yahoo.com>
Sent: Monday, February 3, 2014 8:39 AM
Subject: Re: Debbie

Ok I will send you a list and copy her

Sent from my iPhone

On Feb 3, 2014, at 8:36 AM, Denny Chittick <dcmoney@yahoo.com> wrote:

> pick 7
>
> DenSco Investment Corp
> www.denscoinvestment.com
> 602-469-3001 C
> 602-532-7737 f
>
> ---
>
> **From:** Scott Menaged <smena98754@aol.com>
> **To:** Denny Chittick <dcmoney@yahoo.com>
> **Sent:** Monday, February 3, 2014 8:33 AM
> **Subject:** Debbie
>
> She is asking how many and which properties from her list we are doing this week and what day? Please let me know
>
> Sent from my iPhone

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 2/7/2014 5:56:08 PM
To: Yomtov Menaged [smena98754@aol.com]
Subject: david

i talked to him, i told him i sent you the doc and that you and i are going to go over it soley based on the terms. thus after any changes we agree to and make, david will amek them them. i tell david to send it to jeff, you tell jeff, the terms are agreeable bewteen us, and they can only fix spelling!
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 2/14/2014 3:04:35 AM
To: smena98754@aol.com
Subject: Re: RE:

No shit and we solved another. What 20% of the problem

Sent from Yahoo Mail for iPhone

From: Scott Menaged <smena98754@aol.com>;
To: Denny Chittick <dcmoney@yahoo.com>;
Subject: Re: RE:
Sent: Fri, Feb 14, 2014 3:03:35 AM

I feel like these lawyers are trying to prevent progress! And 50,000 later between 2 attorneys we still don't have anything!

Sent from my iPhone

On Feb 13, 2014, at 8:01 PM, Denny Chittick <dcmoney@yahoo.com> wrote:

> Insure hope so!
>
> Sent from Yahoo Mail for iPhone
>
> ---
>
> **From:** Scott Menaged <smena98754@aol.com>;
> **To:** Denny Chittick <dcmoney@yahoo.com>;
> **Sent:** Fri, Feb 14, 2014 2:54:06 AM
>
> I have emailed Jeff. I know he is out of town tomorrow but I am sure he will call me at one point tomorrc have not had time to see the changes he made! Hopefully it works!!!!!
>
> Sent from my iPhone

Message

From: Denny [dcmoney@yahoo.com]
Sent: 2/15/2014 3:45:59 PM
To: Scott Menaged [smena98754@aol.com]
Subject: Re: Ever ending

Attorneys sole purpose is to self perseverance

Sent from my iPad

> On Feb 15, 2014, at 7:25 AM, Scott Menaged <smena98754@aol.com> wrote:
>
> This reminds me of the Chris group!
>
> We went thru weeks of back and forth with attorneys for something I solved in a 45 minute phone conversation with no attorneys!
>
> I think with all of us in a room together without the he is ok with that and maybe I am ok with this we can be done with this. I hope you see my point on this.
>
> Sent from my iPhone
>
>> On Feb 15, 2014, at 7:39 AM, Denny <dcmoney@yahoo.com> wrote:
>>
>> David would like to know what the points of contention r. He feels like he put in there everything we agreed to
>>
>> Sent from my iPad

Exhibit 40

Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 4/3/2014 10:16:46 AM
To: SMena98754@aol.com
Subject: Re: (no subject)

i think that wording says you plan to or it's in best efforts or something like that to giv eyou latittude. you are ok.
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

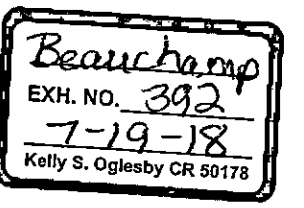
From: "SMena98754@aol.com" <SMena98754@aol.com>
To: dcmoney@yahoo.com
Sent: Thursday, April 3, 2014 10:01 AM
Subject: (no subject)

I have Signed the Notes and Agreement even though it is not anymore a true understanding of what we are doing. Also It shows I am bringing 1 Mill by 3/20, I brought 500,000 so far and waitting on israel issue.

So lots of this is no longer valid or True, but I signed it so at least you have it for what you need it for and not to have Dave Change it again and again with every move we make.

As long as you dont Put me now in Default for not bringing the Full Million Yet! Because Technically I am already in Default!!! HA HA

Exhibit 41



Message

From: Denny Chittick [dcmoney@yahoo.com]
Sent: 3/21/2014 9:46:06 AM
To: Beauchamp, David G. [dbeauchamp@clarkhill.com]
Subject: $'s blanks

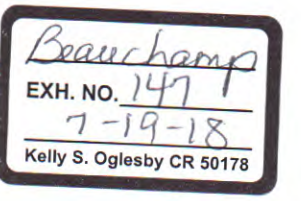
total due $39,116,888
principle $37,133,019
interest $1,983,869
advanced:1,100,100
costs $38,000

i think this is all you need.
thx
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

Exhibit 42

Message



From: Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]
Sent: 1/9/2014 1:30:22 PM
To: Denny Chittick [dcmoney@yahoo.com]
Subject: RE: two trusts

Denny:

Let me think about it. I will get back to you.

Best, David

David G. Beauchamp

CLARK HILL PLC

14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Thursday, January 09, 2014 2:16 PM
To: Beauchamp, David G.
Subject: two trusts

I have one investor that has two trusts with me, each one for his children, i spoke with him. he says that the children's trusts are subsets of larger family trusts that they have a pro-rated share of (you know how they create these spider web of trusts) even though he his the trustee, has full authority over them, he cannot definitively say that they would valued at 5 million each.
what do you recommend that i do? he's completely flexible, i've known him for 20 yr, one of my first investors. This is the Taser guy, Tom Smith.
thx
dc

DenSco Investment Corp
www.denscoinvestment.com

602-469-3001 C
602-532-7737 f

Message

From: Beauchamp, David G. [/O=CLARKHILL/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DBEAUCHAMP]
Sent: 1/9/2014 9:41:55 PM
To: 'dcmoney@yahoo.com' [dcmoney@yahoo.com]
CC: Beauchamp, David G. [dbeauchamp@clarkhill.com]
Subject: Re: auction properties/paying trustee

Denny:

Let me see what the other lenders got from the Trustee and we can make a better decision. There is either another way to do it or someone described a procedure that does not work.

Best regards, David

David G. Beauchamp
CLARK HILL PLC
14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Thursday, January 09, 2014 08:55 PM
To: Beauchamp, David G.
Subject: auction properties/paying trustee

If i cut a cashiers check and take it to the trustee myself, i dont' get a receipt that DenSco Paid for it. i get a receipt saying that x property was paid for, for X $'s vested in borrower's name. my name doesn't appear on it. other than having a cashiers check receipt saying that i made a check out for it, there isn't anything from the trustee saying that it was my check.

i could wire Scott the money, he could produce a cashiers check that says remitter is DenSco and it would have the exact same affect as if i got cashiers check that said i'm the remitter.

i don't just do this with scott, i do this with 90% of the guys that i fund at the auctions. 90% of the time there is an intermediary

between my borrower and the trustee, a bidding co. everyone wires the money to the bidding co and the bidding co' gets the cashiers check saying remitter is the buyer.

put aside the logistics for a second, what proof or what guarantee is there by me cutting the check and handing it to suzy at the trustees office rather than my borrowers?

i know i must be missing something.
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

DenSco / Workout

Beauchamp, David G.

From: Denny <dcmoney@yahoo.com>
Sent: Friday, January 10, 2014 4:37 AM
To: Beauchamp, David G.
Subject: Re: auction properties/paying trustee

I will do some more checking with Trustee's

Sent from my iPad

On Jan 9, 2014, at 10:41 PM, "Beauchamp, David G." <DBeauchamp@ClarkHill.com> wrote:

> Denny:
>
> Let me see what the other lenders got from the Trustee and we can make a better decision. There is either another way to do it or someone described a procedure that does not work.
>
> Best regards, David
>
> David G. Beauchamp
> CLARK HILL PLC
> 14850 N Scottsdale Rd | Suite 500 | Phoenix, Arizona 85254
> 480.684.1126 (direct) | 480.684.1166 (fax) | 602.319.5602 (cell)
> dbeauchamp@clarkhill.com | www.clarkhill.com

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Thursday, January 09, 2014 08:55 PM
To: Beauchamp, David G.
Subject: auction properties/paying trustee

If i cut a cashiers check and take it to the trustee myself, i dont' get a receipt that DenSco Paid for it. i get a receipt saying that x property was paid for, for X $'s vested in borrower's name. my name doesn't appear on it. other than having a cashiers check receipt saying that i made a check out for it, there isn't anything from the trustee saying that it was my check.

i could wire Scott the money, he could produce a cashiers check that says remitter is DenSco and it would have the exact same affect as if i got cashiers check that said i'm the remitter.

i don't just do this with scott, i do this with 90% of the guys that i fund at the auctions. 90% of the time there is an intermediary between my borrower and the trustee, a bidding co. everyone wires the money to the bidding co and the bidding co' gets the cashiers check saying remitter is the buyer.

put aside the logistics for a second, what proof or what guarantee is there by me cutting the check and handing it to suzy at the trustees office rather than my borrowers?

i know i must be missing something.
dc

DenSco Investment Corp
www.denscoinvestment.com
602-469-3001 C
602-532-7737 f

Exhibit 43

SUPERIOR COURT OF ARIZONA

COUNTY OF MARICOPA

PETER S. DAVIS, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, vs. CLARK HILL, PLC, a Michigan limited liability company; DAVID G. BEAUCHAMP and JANE DOE BEAUCHAMP, husband and wife, Defendants.	)	NO. CV2017-013832 ***CONFIDENTIAL***

****

ORAL DEPOSITION OF

YOMTOV SCOTT MENAGED

SEPTEMBER 24, 2019

Volume 2 OF 2

****

ORAL DEPOSITION of YOMTOV SCOTT MENAGED, produced as a witness at the instance of the Defendants and duly sworn, was taken in the above-styled and numbered cause on September 24, 2019, from 8:17 a.m. to 3:42 p.m., at the La Tuna Federal Correction Institution, Anthony, Texas, pursuant to the Arizona Rules of Civil Procedure.

Reported by:

Rhonda McCay, CSR, CCR, RPR, CLR

Q. Now, do you recall that earlier, that is, in January of 2014, when Mr. Beauchamp learned that Mr. Chittick was lending directly to his borrowers, that Mr. Beauchamp was upset about that?

A. He was.

Q. And do you remember him swearing and getting angry with Mr. Chittick about that?

A. Yes. I believe that was my bankruptcy testimony as well.

Q. It was.

Because he had advised Mr. Chittick that Mr. Chittick needed a loan -- I'm sorry. Let me rephrase.

Mr. Beauchamp was upset because he had advised Mr. Chittick that Mr. Chittick needed to loan the money or pay the money directly to the trustee, correct?

A. Mr. Beauchamp was upset because he wasn't following his own loan documents. His loan documents say "I provided a check to XYZ trustee in the amount of XYZ for purchase of property XYZ." And that didn't happen.

Q. Did you -- I understand what you just said is that the documents provided specifically for that. And did you also understand that that was the advice

detail, involves money being wired by DenSco into your bank account and cashier's check being cut with the help of a bank representative, correct?

A. Correct.

Q. And the face of the cashier's check would reference DenSco being the source of the funds and the real estate property that the monies represented by the cashier's check were to be used to buy?

A. That's correct.

Q. Now, you would take a picture of those cashier's checks and send them back to Denny Chittick, correct?

A. Correct.

Q. Was it Denny Chittick who told you he wanted evidence of those cashier's checks?

A. It was.

Q. Wasn't it David Beauchamp's advice to Denny Chittick that was relayed to you that David Beauchamp was telling Denny Chittick, "You need proof that the money is being paid to the trustee"?

A. Yes.

Q. The term sheet -- it's 1133. But I think you'll remember this. You may not need to look at it.

A. Okay. Go ahead.

Q. The million dollar loan was going to be secured

C E R T I F I C A T E

STATE OF TEXAS)
COUNTY OF EL PASO)

I, Rhonda McCay, Certified Shorthand Reporter in and for the State of Texas, State of New Mexico and Registered Professional Reporter, hereby certify that this transcript is a true record of the said proceedings, and that said transcription is done to the best of my ability.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 1st of October, 2019.

Rhonda McCay, CSR, CCR, RPR
Texas Certification Number 4457
Date Of Expiration: 1/31/2021
REPORTERS INK, LLC
Firm Registration Number 420
221 N. Kansas, Suite 1101
El Paso, Texas 79901
Ph.: 915.544.1515

Exhibit 44

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

Peter S. Davis, as Receiver of DenSco Investment Corporation, an Arizona corporation, Plaintiff, vs. Clark Hill PLC, a Michigan limited liability company; David G. Beauchamp and Jane Doe Beauchamp, Husband and Wife, Defendants.	)	NO. CV2017-013832

VIDEOTAPED DEPOSITION OF SHAWNA CHITTICK HEUER

Phoenix, Arizona
August 22, 2018
9:11 a.m.

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

PREPARED FOR:

represent you in your capacity as the personal representative for the estate?

A. Correct.

Q. And we will look at the chronology of that.

Your -- you had a lawyer in Idaho who was a friend of yours --

A. Correct.

Q. -- who had some involvement on this matter --

A. Correct.

Q. -- right?

A. Yes.

Q. I've lost track. Is it Holbrand or --

A. Peter Erbland.

Q. Erbland. Could you spell that?

A. E-r-b-l-a-n-d.

Q. What is your relationship with him?

A. He is the corporate attorney for my business or my company that I work for, a close friend of the owner, and I have known him a long time. He was a friend.

Q. And I'm not going to ask you what you and he spoke about or any advice or consultation you may have had, but what role did he play with respect to helping you get through this difficult time?

A. I went to him after I came back from Phoenix. I don't think it was the first time. I went to him after I

received the subpoena and I explained to him this position I was in, and that I had been referred to this attorney and could he recommend one. How do I -- how do I even find the right attorney.

You know, I just needed some guidance, and he told me he was happy to help me and he listened to me. And he contacted Kevin Merritt, spoke with him, did a little due diligence on his own part and said: He is a good guy. I think he would be a good person for you to use. So he kind of gave me some direction.

Q. Do you know if you spoke to any other lawyers or he spoke to any other lawyers to serve in that role?

A. No.

Q. Do you remember whether you got any other names other than the Gammage & Burnham lawyers?

A. David might have given me a couple of names, but Kevin was the one that I think I remembered, and I took that to Peter.

Q. You indicated a moment ago that David told you that he was worried about a conflict.

Do you remember that testimony?

A. Yes.

Q. And he wanted to make sure that you had representation separately --

A. Yes.

BE IT KNOWN that the foregoing proceeding was taken before me; that the witness before testifying was duly sworn by me to testify to the whole truth; that the questions propounded to the witness and the answers of the witness thereto were taken down by me in shorthand and thereafter reduced to typewriting under my direction; that the foregoing is a true and correct transcript of all proceedings had upon the taking of said deposition, all done to the best of my skill and ability.

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

[X] Review and signature was requested.
[ ] Review and signature was waived.
[ ] Review and signature was not requested.

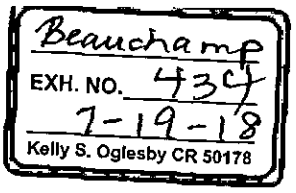
I CERTIFY that I have complied with the ethical obligations in ACJA Sections 7-206(F)(3) and 7-206-(J)(1)(g)(1) and (2).

Kelly Sue Oglesby _____ 9/3/2018
Kelly Sue Oglesby Date
Arizona Certified Reporter No. 50178

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

_____ 9/3/2018
JD REPORTING, INC. Date
Arizona Registered Reporting Firm R1012

Exhibit 45



CLARK HILL

David Beauchamp
T:480.684.1126
F:480.684.1199
dbeauchamp@Clarkhill.com

Clark Hill PLC
14850 N. Scottsdale Road
Suite 500
Scottsdale, AZ 85254
T 480.684.1100
F 480.684.1199

clarkhill.com

August 10, 2016

VIA EMAIL & US MAIL
(WCoy@azcc.gov)

Ms. Wendy Coy
Arizona Corporation Commission
Securities Division
1300 West Washington Street
Phoenix, AZ 85007

Re: DenSco Investment Corporation /File No. 8604

Dear Ms. Coy:

As a follow-up to our telephone conversation on Monday, we discussed the Subpoena Duces Tecum ("Subpoena") that I received from your office concerning the files of DenSco Investment Corporation ("DenSco"). Although we were previously special legal counsel to DenSco, our status as on-going counsel has been questioned and we will likely withdraw as counsel depending on how the courts and the interested parties elect to proceed to collect and distribute the recoverable assets of DenSco. When we had talked previously, I had said that I would accept delivery of a Subpoena from your office to DenSco to get started in the record location and delivery process. However, I have not previously represented Denny Chittick and I do not have authority to accept the service of the Subpoena on Mr. Chittick or his Estate, so some of the items listed in the Subpoena (e.g. Denny Chittick's personal tax records) are not within my control and I have forwarded the Subpoena to the Personal Representative for his Estate, Shawna Chittick Heuer. Shawna did not return to Arizona until very late last night and she did not arrive at Denny Chittick's house until early this morning. Accordingly, she has not had any time to look for the requested items prior to the 10:00 am, August 10 deadline in the Subpoena. However, she is aware of the items requested and she has assured me that she will diligently look for the requested personal items from Denny Chittick.

Currently, we only have a small portion of DenSco's files in our possession. We have made arrangements with Shawna to have the approximately 51 boxes of DenSco files to be transported from Denny Chittick's office to our firm's offices. Again, we will not receive those files until after the expiration of the deadline in the Subpoena. Even when we receive those files, there will be a significant amount of work to review the materials in those files and to find the items requested in the Subpoena. In our conversation on Monday, I had explained the inability

to timely respond to the Subpoena and you had indicated for us that you understood and you wanted us to proceed diligently looking for the items for your office and to keep your office fully informed of the progress being made.

If you disagree with the set forth above or would like to proceed with a different approach to satisfy the items requested in the Subpoena, please contact me.

Very truly yours,

David G. Beauchamp

David G. Beauchamp
CLARK HILL PLC