Exhibit No. 1

ARIZONA CORPORATION COMMISSION
Wendy Coy, #013195
1300 West Washington, 3rd Floor
Phoenix, Arizona 85007
Attorney for Plaintiff
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wcoy@azcc.gov

STATE OF ARIZONA

MARICOPA COUNTY SUPERIOR COURT

ARIZONA CORPORATION COMMISSION Plaintiff v. DENSCO INVESTMENT CORPORATION, an Arizona corporation Defendant.	No. CV CV 2016-014142 **VERIFIED COMPLAINT**

For its Complaint against Defendant, Plaintiff, the Arizona Corporation Commission, pleads as follows:

1. Plaintiff, the Arizona Corporation Commission ("ACC"), is a governmental entity charged with enforcing the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

2. Defendant DenSco Investment Corporation ("DenSco"), is incorporated in the state of Arizona since April of 2001.

3. DenSco resided in and/or conducted business within or from Maricopa County, Arizona at all relevant times.

4. The ACC brings this action pursuant to A.R.S. § 44-2032.

5. Venue is proper in this County pursuant to A.R.S. §§ 44-2031(B) and 44-2032(4).

6. Since at least 2009, DenSco "has been . . . engaged primarily in funding the purchase of houses through preforeclosure process, foreclosure sales and funding and purchasing construction loans, all of which will be secured by real estate deeds of trusts." To fund the purchase of the real estate, DenSco raised money from investors.

7. Since at least 2009, investors received a Confidential Private Offering Memorandum ("offering document") from DenSco before or at the time of investment.

8. DenSco's offering documents gave individuals the opportunity to invest in General Obligation Notes ("Notes") of DenSco. The Notes were to be "secured by a general pledge of all assets owned by or later acquired by the Company." DenSco's largest assets would be in Trust Deeds. DenSco was to maintain a loan-to-value ratio at 70% percent or below in the aggregate for all loans in the loan portfolio. The Notes will receive interest only payments during the term and principal paid at maturity. Interest may be paid monthly, quarterly or at maturity.

9. According to the DenSco website, "DenSco will target the funding of Trust Deeds on Real Estate that is highly marketable, has sufficient equity, and the borrower is competent in fulfilling the obligation of the note; while providing investors a constant rate of return on their investment backed by a diversity of these properties with a strong loan-to-value ratio. Most of these loans will be to Residential and Commercial Foreclosure Specialists that will renovate and then flip the properties in a relatively short period of time."

10. The Lending Guidelines listed on DenSco's website specifically state "First Position ONLY!" The Lending Guidelines further stated that DenSco would lend up to 60% to 70% of the value of the property. DenSco represented to investors that borrowers were required to put at least 20% down on the home purchase and DenSco would have a first position security interest in the real estate. Therefore the investors are protected even if the borrower defaults.

11. Although, the offering document specifically states that "Trust Deeds have a loan-to-value ratios, no greater than 70 percent but with an objective goal of 50 percent to 60 percent," at least one borrower received loans totaling 100 percent of the loan-to-value.

12. Upon information and belief, starting in about 2013, Densco started providing investor funds to a borrower without obtaining a first position deed of trust on the real property. This activity involved about 80 loans totaling at least $28 million. This is contrary to what was explained to investors and contrary to the description in the offering documents and website. Further, the same borrower obtained an unsecured loan of over $14 million from DenSco.

13. Also in about 2013, DenSco stopped accepting new investors and accepting new investments from current investors.

14. Upon information and belief, prior to October 2015, DenSco and the borrower described above reached a forbearance agreement. In about October of 2015, the borrower failed to make its payments and then filed for protection under Chapter 7 of the U.S. Bankruptcy Code.

15. After October of 2015, upon information and belief, DenSco began accepting investor funds again. Upon information and belief, no disclosure was made to those investors that DenSco entered into a forbearance agreement with a large borrower; a borrower had failed to make payments on previous loans and a borrower was provided a large unsecured loan. Further, DenSco failed to inform investors that it was not in a first position on many deeds of trust.

16. According to company records, as of about July 28, 2016, DenSco had 138 loans outstanding. DenSco's assets are as follows[1]:

- 50 of the loans appear to be secured with first position deeds of trust and will be liquidated within 60 days. The value is about $4.9 million.
- 5 of the loans appear to be secured with first position deeds of trust but will require foreclosure or collection. The value is about $1.9 million.
- 83 of the loans appear to be unsecured and to one borrower. The value of these loans is about $28 million.
- There is a loan of over $14 million that is unsecured from the same borrower.

[1] The above figures are based upon company records and have not been independently verified.

- The bank account of DenSco contains approximately $1.0 million.
- As of June 2016, the investor balance was over $51 million.

17. Since at least 2009, DenSco, directly or indirectly, raised at least $50 million through at least 103 investors.

18. The notes offered and sold by DenSco are securities as defined under A.R.S. §44-1801(26).

COUNT ONE

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

19. The ACC incorporates by reference all allegations set forth in paragraphs 1 through 18 of the Complaint.

20. In connection with the offer or sale of securities within or from Arizona, DenSco directly or indirectly, made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors. DenSco's conduct includes, but is not limited to, the following:

a. Upon information and belief, since at least 2009, misrepresenting to investors that DenSco would provide loans up to 70% of the value of the property, when in fact, with at least one borrower DenSco made $28 million in loans at 100 percent of the value of the property.

b. Upon information and belief, since at least 2009, failing to disclose to investors that many loans were not secured with a first position deed of trust.

c. Failing to disclose to investors after October 2015, that at least one borrower had failed to make payments on over $28 million in loans.

d. Upon information and belief, failing to disclose to investors that DenSco provided a borrower an unsecured loan valued at over a $14 million.

21. This conduct violates A.R.S. § 44-1991.

COUNT TWO

(Appointment of Receiver and/or Conservator)

22. The ACC incorporates by reference all allegations set forth in paragraphs 1 through 21 of the Complaint.

23. Pursuant to A.R.S. §§ 44-2032(4) and 44-2011 *et seq.*, the ACC requests this Court appoint a Receiver on an interim basis to take control of the assets of DenSco and to marshal and preserve its assets for the benefit of its defrauded investors.

COUNT THREE
(Injunctive Relief)

24. The ACC incorporates by reference all allegations set forth in paragraphs 1 through 23 of the Complaint.

25. Pursuant to A.R.S. §§ 44-2032(2) and 44-2013(A), the ACC requests this Court to issue a preliminary injunction restraining DenSco, and its officers, agents, servants, employees, attorneys, and all persons in active concert or participation with it, from removing, encumbering or otherwise disposing of its assets located within this State.

WHEREFORE, the ACC prays for judgment as follows:

1. Appoint a Receiver on an interim basis to take control of the assets of the DenSco, and to marshal and preserve its assets for the benefit of DenSco's defrauded investors;

2. Issue a preliminary injunction restraining the DenSco, and its officers, agents, servants, employees, attorneys, and all persons in active concert or participation with it from removing, encumbering or otherwise disposing of its assets located within this State.

3. Order DenSco to take affirmative action to correct the conditions resulting from its acts, practices or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

4. Order DenSco to pay the state of Arizona civil penalties of up to five thousand dollars ($5,000) for each violation of the Securities Act, as the court considers to be just and proper, pursuant to A.R.S. §44-2037; and

5. Order any other relief that the Court deems appropriate.

Dated this 17th day of August, 2016.

ARIZONA CORPORATION COMMISSION

By _____
Wendy Coy
Attorney for the Arizona Corporation Commission

VERIFICATION

Matthew J. Neubert, being first duly sworn, does depose and say:

1. I am the Director of Securities. I make this Verification based upon behalf of the Arizona Corporation Commission

2. I have read the Complaint and to the best of my knowledge, and based upon the records and information gathered by the Securities Division, believe the allegations contained therein to be true and correct.

FURTHER AFFIANT SAITH NOT

Matthew J. Neubert
Director of Securities

STATE OF ARIZONA)
)
County of Maricopa)

SUBSCRIBED AND SWORN to before me on this 17 day of August, 2016.

My Commission Expires:

10-06-19

Notary Public State of Arizona
Maricopa County
Michael Duane Brokaw
My Commission Expires 10/06/2019

Exhibit No. 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."

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**
Total Minimum Offering	**$500,000**	**-0-**	**$475,000**
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.

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.

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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 ten years of operation from April, 2001 through June, 2011, the Company has engaged in 2622 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% percent in the aggregate for all loans in the loan portfolio.

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: The Company is offering the first $500,000 in principal amount of Notes on an "all-or-none, best efforts basis" and on a "best efforts" basis with respect to the remaining $49.5 million in principal amount of Notes. In addition to the Company's President's (Denny Chittick) initial capital contribution to the Company, Mr. Chittick maintains a $1 million

investment in the Company at all times. This investment takes the form of Notes. Therefore, depending on the maturity of the Notes currently held by Mr. Chittick, the minimum offering may be met with his investment only. 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

$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.

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.

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 and visiting the subject property in a timely manner. For purchases of foreclosed homes, the properties are inspected after purchase, before or during rehabilitation and after rehabilitation to insure the property is improved to a marketable condition. The Company will not make residential loans to natural persons for personal, family or household purposes.

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.

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 will be 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.

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 West 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 exempt from registration as a "private investment adviser" under rules and regulations of the SEC and/or the State of Arizona given that the Company has fewer than the threshold number of clients that would trigger registration with the SEC and/or the State of Arizona.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), the "private investment adviser" exemption was eliminated and replaced by a number of other specific exemptions. As directed by the Dodd-Frank Act, the SEC is currently preparing

the final rules (the "Rules") that will provide guidance as to the applicability of the additional specific exemptions that replace the "private investment adviser" exemption. The Company expects that the SEC will issue the Rules during this offering; however, until this occurs, the Company cannot determine whether it will be required to register as a result of the Dodd-Frank Act and the Rules promulgated thereunder. Should the Rules require the Company to register as an investment adviser, the Company intends to take the necessary steps to register as an investment adviser with the State of Arizona and/or the SEC within the time frame outlined in such Rules.

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 relatively short term.

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.

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 ten year operating history through June, 2011, the Company has completed in excess of 2622 loan transactions. However, even with these number of loans over ten 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.

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."

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."

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 30 days' written notice. 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."

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.

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.

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."

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.

	Minimum Amount Raised	*Percent of Offering*	*Target Amount Raised*	*Percent of Offering*
Gross Offering Proceeds	$500,000	100%	$50,000,000	100%
Commissions & Costs (1)	-0-	0%	-0-	0%
Cash Reserve (2)	-0-	0%	-0-	0%
General Business (3)	$25,000	5%	$25,000	.05%
Proceeds Available For Funding/ Purchase of Construction Loans (4)	$475,000	95%	$49,975,000	99.95%

(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.

(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 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	$3,378,000.00	$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
					$274,416,977.00	$453,340,370.00

		$306,786,893.00	$470,411,170.00			
	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.

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. Robert has twelve (12) years of experience supporting real estate loan portfolios similar to the portfolio of the Company. Robert 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. Robert 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, Robert is a signatory on the Company's bank account. On a weekly basis, Robert receives an updated spreadsheet of all properties currently being used as collateral for a loan. On a monthly basis, Robert 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 Robert, upon Robert's receipt of instructions from Denny 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, Robert will act to close down the Company's business by collecting all of the monies due on the Trust Deeds and Robert will return all of the principal and interest owed to the investors pursuant to the Notes.

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 $2,200,000 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.

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.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Ownership

Based on his 100 percent ownership of the Company's common stock, Denny J. 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, Denny 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."

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.

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

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 may, in its discretion, modify the interest rate paid on subsequently issued Notes or the term of such Notes. Any such modification of the interest rate or term will not affect Notes then issued and outstanding.

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)

(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.

(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 also reserves the right, in its sole discretion, to adjust the interest paid on outstanding Notes on 30 days written notice to Noteholders.

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.

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);

(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 No. 3

DenSco / 2013 POM

DenSco Investment Corp.

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Company Management

Denny J. Chittick is the 100% owner and officer of **DenSco Investment Corporation.**

I have a Bachelor of Science in Finance from Arizona State University. I worked for nearly 10 years at **Insight Enterprises Inc.**, holding many different positions and managing nearly all facets of the business at one time or another.

I became involved in this type of company by investing money in an entity like mine. After being both happy with my investment and intrigued with the niche service that it provides, I decided to start my own company. I started with my own money and slowly grew the business over the years. I'm starting my 10th year in business. I've completed over 2000 transactions for a total value in loans approaching a quarter billion dollar, yes that's billion with a "B". Because of the longevity in the business I've made many contacts in all aspects of the business and enjoy the ability to decide who I want to work with.

There has been a great deal of turmoil in the industry over the last few years. Although I've not come through it completely unscathed, I've been able to maintain my commitment to my investors by continuing the rate of return on their investment they have come to expect. Looking in to the future, I'm more optimistic in continuing this record.

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DenSco Investment Corp.

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Lending Guidelines

Maricopa and Pinal County ONLY!

First Position ONLY!

DenSco will lend up to 60% to 70% of the value of property
- Value considered after fix up is complete
- Appraisal not necessary

MINIMUM of 15% to 20% down

Interest Rate is 18% per annum
- Monthly interest only payments

90 to 180 Day Note

No Points, Fee, Closing Costs or Pre-Payment Penalties

Prepared Documents
- Deed of Trust
- Promissory Note
- Personal Guarantee
- Receipt & Mortgage (if necessary)

Title Insurance
- Not necessary if home is purchased through Trustee Sale
- Title Insurance (ALTA Policy) is necessary if bought any other way

Insurance
- House must be insured
  a) DenSco Investment Corp must be named as Co-Beneficiary or Mortgagee
  b) Must cover replacement cost in case of fire
  c) Must have Liability
     - For Home: 100k recommended
     - If home has pool: 300k recommended

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Quarterly Newsletter

3-31-13

We stumbled into the New Year awaiting our politicians to solve the crisis they created, and they didn't disappoint us! They didn't solve the problem, they just broken their arms pointing their fingers at each other and doing what the Europeans have perfected, kicking the can down the road. Now this quarter we've watched them create yet another ordeal, "sequester". So if you had a $100 budget and had to cut $3, would it send you to the poor house? I think not. Though listening to them, you would have thought we would be pulled back into another recession.

If you have been watching any of the numbers coming out lately, so far all this government nonsense has had zero affect, unemployment is down, job growth is up, GDP could be 2 to 2.5% this quarter, the stock market is hitting new highs. All while yet another country, Cyprus, is the latest Euro bailout victim. Yet presently no one cares state side. We are powering ahead. We are by far the strongest economy in the world right now. The two biggest industries in America (autos and home building) are ramping up. They have the largest affect on the economy. The third and most surprising industry that is taking the country by storm is our own energy industry.

The autos built 14.5 million new cars in 2012, this year, they are predicting 15.5 million. The peak was 17 million pre-recession, the trough of the recession a little under 11. We are also producing a higher percentage of the cars here in American, which is due to cheaper energy costs. The housing industry averages building 1.3 million new homes. We bottomed at 350k, and the smart guys are saying we could hit 1 million this year. The energy boom that we are experiencing is so unprecedented, that T-Boone Pickens said just 3 years ago, the only way we could become North American energy independence is either by not burning gas in cars or the US becoming as big an oil producer as Saudi Arabia. Well we are still using gas, but they are saying we could be energy independent by 2020! Staggering! That's even happening with an administration that isn't supporting it!

All three of these macro positive trends have a huge impact on the economy this will drive us out of this slow recover and force Uncle Ben to change his interest rate stance much sooner than 2015. I could even see it by the end of this year. Why are these important to us in AZ land? A strong economy creates confidence, job growth, rising incomes and thus allows more people to want to purchase a home. We've had several years now

that have retarded growth in home buying. The first time home buyers nearly disappeared. They are coming back now. There is big pent up demand. The other segment is the folks moving up. They are starting to buy again. Our always over accommodating government trying to help out the common man has created a chart that describes how soon they can get a new house loan when a person was foreclosed on or had a short sale on their record. They now can receive a government backed loan. It's higher than the best borrowers can borrow at, but because of the artificially low interest rates caused by the Fed's assets purchases, they can get a loan at 5.5% versus best borrowers getting 3.5%. How many times would you kill for 5.5% mortgage rate? That's with having a foreclosure on your record three years ago!

The Phoenix housing market is being affected not only by the above macro issues, but by simply econ 101. It is Supply and Demand. We have strong demand and not enough supply. We also have been the major focus of hedge funds buying thousand of houses all of last year. Most of them have exited the market and headed to Atlanta. That moved us through probably 18 months ahead of absorbing the inventory of foreclosures. I've been tracking the numbers on MLS for years; the supply always dips from Christmas to the super bowl then jumps in to the spring selling season. This is the first time I've seen it continue to fall. Now in March, we are down from January. Average prices jumped 35% last year. I had mentioned that was because the bottom of the market, sub 50k was dominating. To give you an idea, a typical month had 30-50% of all transactions were under 50k. That's 2000 to 3000 transactions. In January it was 300. Thus the average is going to go up because there aren't any transactions on the bottom end anymore. We should easily see 20-25% up this year. We are seeing the strongest part of the market 250k-500k. The monthly payment to own a home in this price range now, costs the same as a house in the 100k to 200k range just a few years ago.

We have the opposite problem currently than we've had for 7 years, not enough homes! Foreclosures are off by 40% or more. Within another three months we will be back to what you would expect in a typical healthy market. So we've completely recovered. The challenge now is to find homes to buy. My borrowers are constantly battling this issue. Thankfully many flippers have left the market. The undercapitalized and the part timers, you just can't make it anymore. The borrowers that I work with do this full time and have networks of relationships to find properties. They are also resourceful enough to find alternative avenues to purchasing homes other than the traditional auction or reo process.

I have $47.2 million in the portfolio now. A few of

those millions are temporary so don't be surprised if we are flat or down next quarter.

I have updated the pictures of the current sampling of properties on the website. I'm quite optimistic about this year and glad to move into such a positive market. I thank you again for your trust, investment, and confidence.

Denny J. Chittick

Previous newsletters:

9-30-01	12-31-01	3-30-02	6-30-02
9-30-02	12-30-02	3-31-03	6-30-03
9-30-03	12-31-03	3-31-04	6-30-04
9-30-04	12-31-04	3-31-05	6-30-05
9-30-05	12-31-05	3-31-06	6-30-06
9-30-06	12-31-06	3-31-07	6-30-07
9-30-07	12-31-07	3-31-08	6-30-08
9-30-08	12-31-08	3-31-09	6-30-09
9-30-09	12-31-09	3-31-10	6-30-10
9-30-10	12-31-10	3-31-11	6-30-11
9-30-11	12-31-11	3-31-12	6-30-12
9-30-12	12-31-12		

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Investor Requirements

There is a page of legal definitions explaining each and every one of these types of investors. I will save you the legal wording and keep it simple. You can look at the Subscription document and/or the Memorandum for all the lawyer-speak.

1. a bank
2. a private business development company
3. a corporation, business trust or partnership with assets in excess of $5,000,000
4. a director or executive officer of the Company (that's me)
5. a person whose individual net worth, or joint net worth with spouse exceeds $1,000,000 (excluding personal residence)
6. a person who had an individual income in excess of $200,000 in each of the last two years, or joint income with spouse in excess of $300,000, and a reasonable expectation of continuing at that income level.
7. a trust with total assets in excess of $5,000,000
8. an entity in which all of the equity owners are accredited investors (defined in 5 and 6)

This is the abbreviated description of each one of these entities and individuals. A longer and more complete description is in the Subscription Agreement and Memorandum.

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Exhibit No. 4

David G. Beauchamp

Member

David G. Beauchamp practices primarily in the areas of corporate law, securities, venture capital and private equity transactions with an emphasis on financing, acquiring or developing rapid growth companies in the areas of technology, biotechnology, aerospace and other emerging growth industries in the United States and overseas. He represents both venture capital/private capital, as well as private and publicly traded companies with potential for rapid growth.

David represents venture capital and private funds in their efforts to raise funds ranging from a couple million dollars to hundreds of million and in the subsequent investment of those funds. He also represents entrepreneurs and growth companies, and has documented mergers, acquisitions and private and public offerings for companies to raise funds well in excess of $100 million. David has represented management, investors and financial sources in a wide variety of LBO and MBO acquisitions and ESOP transactions. He has represented borrowers and related beneficiaries in structuring and documenting various public bond financings. In the last twenty plus years, he has prepared or been involved in the preparation and documentation of several hundred private offerings of securities. While David focuses on financings for high technology and biotechnology companies, clients have included manufacturing, aerospace, telecommunication, health management, software, restaurant, retail, service and real estate companies.

David is active in structuring and documenting financial investments, including warrants, shareholder agreements, voting agreements, limited liability company operating agreements, stock options plans, executive compensation plans, joint ventures, licensing agreements and routine business contracts. He has structured and documented sophisticated cross-border transactions and complex purchase agreements and financings for private equity and venture capital funds.

Speaking Engagements

- Testified before the Arizona Senate Finance Committee on several occasions concerning proposed legislation affecting Research & Development and Capital Formation Issues, 2008, 2011, 2012, and 2013.
- Appeared on the "Horizon" public television show to discuss a Fund of Funds proposal and various other legislative proposals to enhance capital availability for growth stage companies in Arizona, 2012.

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Practice Areas

Corporate Law

Environment, Energy & Natural Resources

Areas of Emphasis

Corporate Finance

Emerging Growth/Venture Capital

Mergers & Acquisitions

Private Equity

Services

E2: Emerging Enterprises

Education

- "Solar in Action," Panel Moderator at Arizona Solar Manufacturing Symposium, 2010.
- "Introduction to the Arizona Fund of Funds," Arizona Technology Council and Phoenix M&A Roundtable, 2010.
- "Arizona's Technology Industries 'Past, Present & Future,' What it Means to Mergers & Acquisitions and our State's Future," Phoenix M&A Roundtable, 2009.
- "Business Law Updates," American Society of Women Accountants, 2008.
- "Capital & Commercialization," discussing technology development and status of capital formation in Arizona, presented to the "Arizona Competitiveness Group" and Arizona economic development leaders, 2007.
- "Building a BioTech Company: Achieving the Right Balance," Arizona BioExpo, 2003.
- "Recent Capital Formation Efforts in AZ and Strategy to Fund New BioTech Companies," The Arizona Chamber of Commerce Economic Development Committee, 2002.

News

Chambers USA Names Thirteen Clark Hill Attorneys "Leaders in their Field" for 2014

Clark Hill Continues to Grow with the Addition of Arizona Corporate Attorney David G. Beauchamp

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M.P.P., University of Michigan, Ann Arbor, Michigan, 1980

A.B., with distinction, University of Michigan, Ann Arbor, Michigan, 1978

State Bar Licenses

Arizona

Court Admissions

U.S. District Ct., District of Arizona

Membership

American Bar Association

Arizona Bar Association

Maricopa County Bar Association

Chambers and Partners USA

AB Top Lawyers

Arizona Chamber of Commerce and Industry

Arizona Technology Council (Member of Board of Directors, Co-Chair of Capital Formation Committee and Member of Public Policy Committee)

Greater Phoenix Economic Council (Certified Ambassador

and International Leadership Council)

Valley Leadership (Class XV)

Enterprise Network

Phoenix Mergers & Acquisitions Roundtable

Exhibit No. 5

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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' INITIAL RULE 26.1 DISCLOSURE STATEMENT**

Defendants Clark Hill PLC, David G. Beauchamp and Jane Doe Beauchamp (collectively, "Defendants") provide this 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 its infancy and thus the content of this disclosure statement is preliminary and subject to supplementation, amendment, explanation, change and amplification. Because the parties have just commenced discovery, 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 documents of the Plaintiff, or third parties, and that this disclosure statement is based upon information currently available to Defendants. Nothing in this disclosure statement is intended to be an admission of fact, an affirmation of the existence of any document, or an agreement with or an acceptance of any legal theory or allegation. The information set forth below is provided without waiving (1) the right to object to the use of such information for any purpose in this or any other action due to applicable privilege (including the work-product and attorney-client privileges), materiality, or any other appropriate grounds; (2) the right to object to any request involving or relating to the subject matter of the information in this disclosure statement; or (3) the right to revise, correct, supplement or clarify any of the information provided below. If any part of this statement is ever read to the jury, fairness would require that the jury be read this introductory statement and any supplementation, amendments, explanation, changes or amplifications which may occur or be filed subsequent to this disclosure statement.

Defendants also incorporate by reference into this disclosure statement all interrogatory answers, responses to requests for production, responses to requests for admission, other discovery and disclosure statements and supplements thereto in this action, and all transcripts of any deposition taken in this action and any exhibits thereto.

I. FACTUAL BASIS OF CLAIMS AND DEFENSES.

A. Retention/Scope of Work

For more than 35 years, since graduating with honors from the University of Michigan Law School in 1981, David Beauchamp has represented his clients in the areas of corporate law, securities, venture capital, and private equity with distinction and integrity.

One of those clients was DenSco Investment Corporation ("DenSco"), a company solely owned and managed by Denny Chittick. DenSco raised money from investors by issuing general obligation notes to those investors at interest rates that varied depending on the note's maturity date. DenSco then invested those funds primarily by making high interest

short-term loans to borrowers buying residential properties out of foreclosure, which loans were intended to be secured by deeds of trusts on those properties. Mr. Beauchamp started providing securities advice to DenSco in the early 2000s, while he was a partner at the law firm Gammage & Burnham. DenSco followed Mr. Beauchamp as a client when he left Gammage to join the law firm Bryan Cave in March 2008, and again when Mr. Beauchamp left Bryan Cave to join Clark Hill in September 2013.

Although the various firms' engagement letters with DenSco only specifically identified DenSco as the client, DenSco could not operate or engage with legal counsel except through its president and sole owner, Mr. Chittick. 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. The investors understood that as well. The private offering memoranda DenSco provided state that "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."

Shortly after Mr. Chittick's death, and in the midst of a chaotic time dealing with the fallout of his passing, Mr. Beauchamp stated in an August 10, 2016 letter to an Arizona Corporation Commission subpoena to Mr. Chittick that he had "not previously represented Denny Chittick" and that the ACC would need to request the personal information it sought, including Mr. Chittick's personal tax returns, from counsel for Mr. Chittick's estate. To the extent that Mr. Beauchamp's statement was not clear or that any clarification was necessary, Mr. Beauchamp averred in an August 17, 2016 declaration under oath that he represented DenSco and "Mr. Chittick as the President of DenSco." Mr. Beauchamp did not represent Mr. Chittick outside of his role as a corporate officer at DenSco.

Until mid- 2013, Mr. Beauchamp's work as DenSco's securities counsel included, among other things, drafting DenSco's Private Offering Memoranda and related investor

documents; advising DenSco regarding Blue Sky laws and state and federal securities reporting and filing requirements; advising DenSco as to the rules and regulations promulgated by state financial and lending authorities; and advising DenSco regarding the applicability of mortgage broker regulations. At times, it would also involve answering DenSco's questions regarding its Reg D filings and obligations. Although Mr. Beauchamp helped DenSco file its first set of Reg D documents in 2003, Mr. Chittick told Mr. Beauchamp thereafter that he did not want to pay a lawyer to review and file the Reg D documents, and that Mr. Chittick would take on that responsibility himself. That was not a surprising request, as Mr. Chittick repeatedly instructed Mr. Beauchamp to keep legal fees to a minimum. Consequently, although Mr. Beauchamp's paralegal initially helped Mr. Chittick understand the filing process and obtain access to the EDGAR filing site, in accordance with his client's wishes Mr. Beauchamp did not review DenSco's Reg D filings.

The scope of Mr. Beauchamp's representation of DenSco and its president was narrow. Further, the relationship was friendly, but professional. Mr. Beauchamp did not go to dinner or vacation with Mr. Chittick or his family. They did not play golf or otherwise socialize together.

Over the years, Mr. Chittick showed himself to be a trustworthy and savvy businessman, and a good client. He was devoted to his business and investors, many of whom were friends 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. Further, Mr. Beauchamp understood that DenSco utilized an outside accountant, David Preston, to review DenSco's books and records and file its tax returns. At no point did Mr. Beauchamp serve as DenSco's general corporate counsel, nor was Mr. Beauchamp engaged to review or approve DenSco financial statements or tax returns or to investigate borrowers.

B. The Private Offering Memoranda

Mr. Beauchamp advised DenSco regarding its Private Offering Memoranda ("POMs"), which DenSco generally updated every two years. He helped draft the 2003, 2005, 2007, 2009, and 2011 POMs. The POMs, however, had similar provisions and generally described DenSco's historical performance based on information provided by Mr. Chittick; set forth 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; and set forth DenSco's aspirational lending standards (including its intent to "maintain a loan-to-value ratio below 70%" for both individual trust deeds DenSco purchased and the aggregate loan portfolio, as well as its intent to "achieve a diverse borrower base" with no borrower comprising more than 10-15% of the portfolio).

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. 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, but Mr. Chittick continued to delay.

C. 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") regarding liens recorded by Easy Investments in favor of DenSco and Active Funding Corporation, on a parcel of property. In a June 14, 2013 email from Mr. Chittick to Mr. Beauchamp, Mr. Chittick explained that Easy Investments had purchased a property at a trustee's sale using a DenSco loan, which had apparently been previously purchased by FREO, leading to a dispute. A review of the partial Complaint provided to Mr. Beauchamp confirms Mr. Chittick's description. According to its allegations, the loan servicer, Ocwen, failed to cancel a trustee's sale and release the deed of trust after FREO had paid off the debt and acquired the property, thereby allowing Easy Investments to purchase the property again with DenSco's funds. Contrary to the allegations in the Receiver's Complaint, the FREO lawsuit did not concern lien priority or double lien issues. Moreover, a review of the docket reveals that Easy Investments prevailed in the FREO lawsuit when the Court granted summary judgment in favor of Easy Investments and against both FREO and Ocwen (for breach of its duties) on December 6, 2013.

Further, although Mr. Chittick forwarded a portion of the Complaint to Mr. Beauchamp, 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. To the contrary, he expressly stated that he merely wanted Mr. Beauchamp to "be aware" of the lawsuit. Consequently, although Mr. Beauchamp ran the matter through Bryan Cave's conflict system pursuant to standard firm procedure, Mr. Beauchamp did not represent DenSco in the litigation and did not conduct any further investigation into its merits given his client's instruction not to get involved.

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 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. Mr. Chittick, however,

explained to Mr. Beauchamp that this was an isolated incident with a borrower, Menaged, whom Mr. Chittick described in his email as someone he had "done a ton of business with...hundreds of loans for several years...."

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. Accordingly, Mr. Beauchamp suggested that Mr. Chittick develop and document a plan to resolve the double liens, and nothing more came of the conversation.

Mr. Chittick vastly understated the scope of the problem. 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 purported 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.

It seems unlikely that the issue with the Miller Lenders was a surprise to Mr. Chittick. Although Mr. Chittick's business journals contain hearsay and present questions regarding admissibility, they suggest that Menaged had told Mr. Chittick about the double lien issue in November 2013, and had explained that the issue could affect every property Menaged had purchased using DenSco funds going back as far as 2011. Further, as set forth below, Mr. Chittick and Menaged had apparently already reached an agreement on how to deal with the double lien issue in November 2013 as well. Mr. Chittick, however, failed to provide that information to Mr. Beauchamp in December. Nor did he immediately provide Mr. Beauchamp with the full scope of the problem, or reveal the procedure he had agreed to with Menaged to resolve that problem, in December or early January.

Instead, Mr. Chittick sent the Miller letter to Mr. Beauchamp on January 6, 2014 with nothing more than a sparse request for Mr. Beauchamp to "read the first two pages." The next day, Mr. Chittick provided Mr. Beauchamp a more expansive, if incomplete, explanation. In his email, Mr. Chittick stated 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 asserted, however, that Menaged's wife had 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 in second position. The cousin, unfortunately, 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 entire enterprise.

According to Mr. Chittick's email, Menaged purportedly found out about his cousin's scam in November and revealed the fraud to Mr. Chittick at the time. Yet rather than consult legal counsel, Mr. Chittick worked out a plan to fix the double lien issue with Menaged. The initial plan included DenSco paying off the other lenders. That required additional capital, which Menaged and Mr. Chittick agreed would come from DenSco lending Menaged an additional $1 million and Menaged investing additional capital, including $4-$5 million from the liquidation of other assets, as set forth in a term sheet DenSco and Menaged signed after having already put their plan into effect. As the scope of the problem appeared to grow, Mr. Chittick and Menaged agreed to terms of an expanded plan, which included further investment from both DenSco and Menaged, who would also continue to flip and rent homes to raise the necessary profits needed to pay off the other lenders.

Unbeknownst to Mr. Beauchamp, and according to Mr. Chittick's January 7, 2014 email, DenSco and Menaged had already been "proceeding with this plan since November [2013]." That is corroborated by the Receiver, who asserts that Mr. Chittick lent $1 million to Menaged to further their private workout plan in December 2013. In other words, by the time Mr. Chittick approached Mr. Beauchamp with a partial disclosure of the issues in late

2013 and early 2014, Mr. Chittick had already agreed to a business plan with Menaged to work out the double lien problems, and had already advanced Menaged significant sums pursuant to that agreement. 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."

1. Mr. Beauchamp tells DenSco it cannot accept new funds or roll over prior funds.

After receiving Mr. Chittick's January 7, 2014 email, Mr. Beauchamp was alarmed that DenSco may be taking on new investors or rolling over prior investments without disclosing the double lien issue or the workout to which Mr. Chittick and Menaged had agreed. Mr. Beauchamp's advice to Mr. Chittick regarding disclosures Mr. Chittick had to make to investors was immediate, clear, practical, consistent with his practice and experience, and consistent with the standard of care: (a) DenSco was not permitted to take new money without full disclosure to the investor lending the money; (b) DenSco was not permitted to roll over existing investments without full disclosure to the investor rolling over the money; and (c) DenSco needed to update its POM and make full disclosure to all its investors. Mr. Beauchamp provided this advice to DenSco starting with his January 9, 2014 meeting with Mr. Chittick, and repeated it routinely over the next few months.

Mr. Beauchamp was also concerned about the source and use of the funds needed to effectuate the Menaged-Chittick workout. Yet, as Mr. Chittick explained, the funds for the $1 million loan (which Mr. Chittick funded prior to engaging Clark Hill) and an additional $5 million loan Mr. Chittick and Menaged eventually agreed to as part of the workout, would come from (a) Mr. Chittick's investment of additional funds out of his retirement account, (b) Mr. Chittick's personal $1.5 million line of credit, and (c) DenSco's working capital

raised as loans to other borrowers paid off. Again, and at all times Mr. Beauchamp, advised Mr. Chittick that he could not obtain new investor funds or roll over prior investments without full disclosure. Mr. Beauchamp also repeatedly insisted that Mr. Chittick revise his out-of-date POM to provide disclosure to all his investors. Mr. Chittick, however, insisted that DenSco first document the forbearance agreement so that Mr. Chittick would have a plan to show his investors.

Further, 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. That would be in keeping with Mr. Chittick's prior approach to business. 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." And again, while the letters Mr. Chittick appears to have authored prior to his passing contain hearsay and present questions regarding admissibility, they include various statements suggesting that Mr. Chittick may have previously told (and received approval from) a select group of investors that he was investing specifically with Menaged, that he was increasing his loan concentration with Menaged above the 10-15% concentration threshold suggested in his POMs, and that his lending process involved funding loans directly to borrowers, rather than a trustee or escrow account.

There was no reason for Mr. Beauchamp to question whether Mr. Chittick was in fact providing disclosures to limited investors. Moreover, over the more than decade long strong professional relationship Mr. Beauchamp had developed with Mr. Chittick, Mr. Chittick had proven himself to be a trustworthy client with a strong history of sharing information and making prudent decisions.

2. Mr. Beauchamp advises DenSco to enter into a forbearance agreement.

Beginning in early January, and over the course of several meetings and telephone conversations with Mr. Chittick, Mr. Beauchamp convinced Mr. Chittick that if he was going to keep doing business with Menaged (and Mr. Chittick never wavered from his insistence on working his way out of the double lien issue with Menaged), DenSco should at least document the issues and workout plan in a forbearance agreement. Entering into a forbearance agreement was sound, practical advice and consistent with the standard of care, particularly where Mr. Chittick and Menaged had already implemented their own workout plan. As Mr. Beauchamp repeatedly explained to Mr. Chittick, the forbearance agreement would, among other things, (a) clarify and set forth the facts that led to the double lien issue, (b) clarify and set forth the scope of the issue with the borrower, (c) acknowledge Mr. Menaged's defaults under his loan documents with DenSco, as well as the amount and validity of any debt owed to DenSco, (d) obtain additional written commitments from Menaged and his entities to fund the workout Mr. Chittick and Menaged had already agreed to; and (e) obtain additional security and other protections from Menaged and his entities to protect DenSco and its investors. Mr. Beauchamp was crystal clear with Mr. Chittick all of this would need to be disclosed to DenSco's investors. Other protections Mr. Beauchamp advocated for, including additional admissions of fault and fraud by Menaged to protect DenSco in the event of a bankruptcy filing by Menaged or his entities, were eventually stricken from the agreement at Menaged and Mr. Chittick's insistence, and over Mr. Beauchamp's objections.

Mr. Beauchamp had previously drafted and negotiated countless forbearance agreements. He reasonably anticipated that documenting DenSco's forbearance would take 2-3 weeks. Negotiating the forbearance agreement, however, turned out to be more difficult than Mr. Beauchamp could have reasonably imagined. For one, Menaged and his counsel repeatedly insisted on edits and revisions that served only to undermine DenSco's fiduciary

duty to its investors. Mr. Beauchamp repeatedly had to undo changes proffered by Menaged or Jeff Goulder, Menaged's attorney, and often by Mr. Chittick at Menaged's direction, in order to protect DenSco's investors. For example, Menaged (and Mr. Goulder) attempted to restrict the type of information that could be disclosed to investors, attempted to obtain releases for Menaged related to his defaults and conduct, and refused to provide additional security or information regarding that additional security. Mr. Beauchamp repeatedly pushed back on these efforts and advised DenSco and Mr. Chittick, both in writing and verbally, that they had fiduciary duties to DenSco's investors, which included disclosure obligations. *See e.g.*, February 4, 2014 email from Mr. Beauchamp to Mr. Chittick ("you cannot obligate DenSco to further help Scott, because that would breach your fiduciary duty to your investors"); February 14, 2014 email from Mr. Beauchamp to Mr. Chittick ("[Goulder] 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"); March 13, 2014 email from Mr. Beauchamp to Mr. Chittick ("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").

In addition to Menaged and his counsel's constant revisions, the number of loans affected by the double lien issue also kept growing. The number of loans Mr. Chittick asserted were in issue grew from December 2013 to January 2014, and then grew again from January 2014 to February 2014. This resulted in constant changes to the revised workout documents, as well as to Menaged and Mr. Chittick's agreement regarding the manner in which to fund the workout. Mr. Chittick, however, maintained, despite multiple inquiries from Mr. Beauchamp, that he had run the calculations and projections and was confident his plan with Menaged would work. Mr. Chittick also told Mr. Beauchamp that he had gone over those projections with his "advisory council." As Mr. Chittick described it to Mr.

Beauchamp, it was a cash flow issue, not a payment issue, and that with Menaged's additional investments, the workout would succeed.

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 could be sharp and off-putting, Menaged had always performed on DenSco's loans in the past, and had stood by Mr. Chittick in tough times. Despite Mr. Beauchamp's efforts, Mr. Chittick could not be convinced to cut ties with Menaged.

F. Mr. Beauchamp terminates representation of DenSco and Mr. Chittick.

When Mr. Beauchamp agreed to represent DenSco with respect to Menaged, Mr. Beauchamp made clear that Mr. Chittick had to immediately 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 on DenSco's finances and the investors' investments. Mr. Chittick always acknowledged that responsibility and agreed to make the full disclosure once the forbearance agreement was properly documented. As the forbearance neared completion, Mr. Beauchamp and his associate, Daniel Schenk, 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, and 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 securitizations procedures; updated the number of loan defaults triggering foreclosures; and amended the descriptions regarding DenSco's borrower base, among other things. 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, to ensure that investors were fully informed. Mr. Chittick, however, refused to provide the necessary information 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 make full disclosure to all of his investors about DenSco (as he had been doing through POMs and newsletters since 2003).

In May 2014, Mr. Beauchamp handed Mr. Chittick a physical copy of the draft POM and asked him what Mr. Chittick's specific issues were with the disclosure. Mr. Chittick responded that there was nothing wrong with the disclosure, he was simply not ready to make any kind of disclosures to his investors at this stage. Mr. Beauchamp again explained that Mr. Chittick had no choice in the matter and that he had a fiduciary duty to his investors to make these disclosures. Mr. Chittick would not budge. Faced with an intransigent client who was now acting contrary to the advice Mr. Beauchamp was providing, and with concerns that Mr. Chittick may not have been providing any disclosures to anyone since January 2014, Mr. Beauchamp informed Mr. Chittick that Beauchamp and Clark Hill could not and would not represent DenSco any longer. Mr. Beauchamp also told 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. Mr. Chittick suggested that he had already started that process and was speaking with someone else.

Thereafter, Mr. Beauchamp and Clark Hill ceased providing DenSco with securities advice. Mr. Chittick accepted that, but asked that Mr. Beauchamp clean up some small issues with the forbearance agreement before ending the relationship entirely. Other than addressing those small forbearance agreement issues in June and July, Clark Hill stopped working with DenSco or Mr. Chittick in any capacity until 2016, when Mr. Chittick requested that Mr. Beauchamp assist with a very limited issue involving an audit by the

Arizona Department of Financial Institutions - work Mr. Beauchamp had previously performed for DenSco and that Mr. Chittick characteristically believed could be done most cost-effectively by Mr. Beauchamp rather than by a new lawyer with no background on the issue.

G. Menaged continues to perpetrate fraud on DenSco, which only grows in scale.

During the time that he represented it regarding securities matters, Mr. Beauchamp (a) repeatedly advised DenSco that it had to make full disclosure to its investors and then terminated his relationship as securities counsel for DenSco when DenSco refused, (b) explained that DenSco would need to retain new counsel after Mr. Beauchamp withdrew to provide proper disclosures and monitor the forbearance, and (c) repeatedly reminded Mr. Chittick that he needed to fund loans directly to a trustee or escrow company, rather than to the borrower. Mr. Chittick ignored Mr. Beauchamp's advice. It is unclear if DenSco ever engaged or even talked to new counsel. It appears Mr. Chittick never issued an updated POM, a fact which could not have gone unnoticed by DenSco's sophisticated investors, who had gotten used to regular updates from DenSco, not only through updated POMs, but through monthly newsletters and periodic investor meetings. It is quite clear that Mr. Chittick continued to loan funds directly to Menaged in direct contravention of Mr. Beauchamp's repeated advice.

Nevertheless, the brazen scope of Menaged's efforts to defraud DenSco was not foreseeable. After several years of bilking DenSco and others out of millions of dollars, Menaged was eventually arrested. The United States Department of Justice first charged Menaged with defrauding various banks through his purported furniture stores. Menaged used fabricated receipts of purchases made at the furniture store to obtain credit from banks using the names of, and personal identification information of, individuals who had recently died. He would then incur millions of dollars in fraudulent charges on those fake

accounts. Incredibly, Menaged acknowledged in his plea agreement that he had perpetrated the bank fraud in order to get cash to continue defrauding DenSco.

The Department of Justice then also charged Menaged with money laundering with respect to the DenSco fraud. In his plea agreement, Menaged admitted that from January 2014 through June 2016, he embezzled millions of dollars without purchasing properties with the loans obtained from Densco. He explained that Densco would wire money to purchase properties directly to Menaged who, in turn, would send Densco "an image of a bank cashier's check and a copy of a Trustee Certificate of Sale Receipt." No sales, however, actually took place. Menaged would simply redeposit the cashier's check into his account and create bogus receipts for the purchase of the property. Between January 2013 and June 2016, Menaged admitted he obtained 2,172 loans from DenSco totaling approximately $734,484,440.67. Yet, of the 2,712 loans made by DenSco, only 96 involved actual property transactions. Menaged supposedly used the remaining 2,616 loans for personal expenses, gambling trips, and transfers to his family members and associates. Menaged would also utilize new loans from DenSco to pay back outstanding DenSco loans to conceal the embezzlement. Menaged was sentenced to 17 years in jail. As First Assistant U.S. Attorney Elizabeth Strange stated, the "lengthy sentence is a fitting punishment for his egregious crimes."

Menaged shamelessly duped Mr. Chittick. Documents and recordings suggest that Menaged never invested any money into the workout plan. He never obtained any money from Israel despite purportedly making numerous trips to the country for that very purpose, blatantly lied that funds that could have been used to fund the workout were tied up in his divorce proceedings, and ultimately invented a non-existent investment scheme involving "auction.com" which Menaged falsely claimed was retaining most of DenSco's money (to go along with his fabrication of the fraudulent cousin and terminally ill wife). Sadly, Mr. Chittick bought into all of Menaged's lies until his last days.

Discovery is continuing. Defendants may supplement.

II. LEGAL THEORIES OF CLAIMS AND DEFENSES.

A. Plaintiff's claims

Legal Malpractice

Receiver asserts that Defendants, in their representation of DenSco, committed malpractice and breached fiduciary duties owed to DenSco. Legal malpractice requires proof of the existence of a duty, breach of duty, that defendant's breach was the actual and proximate cause of damages, and the "nature and extent" of those damages. *Glaze v. Larsen*, 207 Ariz. 26, 29 ¶ 12 83 P.3d 26, 29 (Ariz. 2004) (citations and quotations omitted).

Receiver cannot prove breach of duty, actual and proximate cause, or resulting damages. To prove breach of duty, Receiver will need to demonstrate that Defendants deviated from the professional standard of care. *Phillips v. Clancy,* 152 Ariz. 415, 418, 733 P.2d 300, 303 (App. 1986). Defendants' advice and conduct in representing DenSco and, in doing so, representing Mr. Chittick as president of DenSco, was consistent with Defendants' practice and experience, and consistent with the standard of care. Thus, Defendants did not breach their duties to DenSco. Receiver will also need to prove that if Defendants had not purportedly breached the standard of care, that DenSco would not have suffered injury. *Id.* Whatever harm befell DenSco was not an actual or foreseeable result of the advice provided by Defendants. Thus, Receiver's malpractice claim fails.

Aiding and Abetting Breach of Fiduciary Duties

Receiver asserts that Defendants aided and abetted Mr. Chittick in breaching his fiduciary duties to DenSco. Claims of aiding and abetting require proof that: (1) the primary tortfeasor must commit a tort that caused injury to the plaintiff; (2) the defendant must know that the primary tortfeasor's conduct constitutes a breach of duty; (3) the defendant must substantially assist or encourage the primary tortfeasor in the achievement of that breach and (4) there must be a causal relationship between the defendant's assistance or encouragement

and the primary tortfeasor's commission of the tort. *Wells Fargo Bank v. Az. Laborers, Teamsters and Cement Masons Local No. 395 Pension Trust Fund*, 201 Ariz. 474, 485 (Ariz. 2002); *Sec. Title Agency, Inc. v. Pope*, 219 Ariz. 480, 491 (App. 2008). Importantly, "[b]ecause aiding and abetting is a theory of secondary liability, the party charged with the tort must have knowledge of the primary violation." *Wells Fargo*, 201 Ariz. at 485.

It is unclear from the Complaint what actions the Receiver asserts constitute a breach of Mr. Chittick's fiduciary duties to DenSco. In any event, as set forth above, Defendants' advice and conduct in representing DenSco were consistent with the applicable standard of care. Defendants did not "substantially assist or encourage" Mr. Chittick in breaching his duties to DenSco, Defendants did not have knowledge of Mr. Chittick's purported "primary violation," nor is there a causal relationship between Defendants' representation of DenSco and Mr. Chittick's purported tortious conduct with respect to DenSco. Further, as set forth above, whatever harm befell DenSco was not an actual or foreseeable result of Defendants' actions or inactions.

B. Affirmative Defenses

Statute of Limitations

Both the legal malpractice claim and the aiding and abetting claim have a two-year statute of limitations. *See* A.R.S. §12-542(1) (An action "[f]or injuries done to the person of another" shall be commenced and prosecuted within two years after the cause of action accrues, and not afterward"). Receiver, who stands in the shoes of DenSco, did not file the Complaint in this action until October 16, 2017, which was well outside the statute of limitations. DenSco, and potentially the Investors, could have discovered at least as of Summer 2014, that DenSco's loans to Menaged (or his entities) and DenSco's lending practices with respect to Menaged, could give rise to potential causes of action against Mr. Chittick or his agents. Consequently, because the statute of limitations ran, at the latest, in the Summer of 2016, the Complaint is barred in its entirety.

In pari delicto and *unclean hands*

Arizona law recognizes the doctrine of in pari delicto. *Brand v. Elledge*, 89 Ariz. 200, 205, 360 P.2d 213, 217 (1961) (quoting *Furman v. Furman*, 34 N.Y.S.2d 699, 704 (N.Y. Sup. Ct. 1941), *aff'd*, 40 N.E.2d 643 (N.Y. 1942)). In pari delicto is an affirmative defense by which a party is barred from recovering damages if his losses are substantially caused by activities the law forbade him to engage in." *Stewart v. Wilmington Trust SP Servs., Inc.*, 112 A.3d 271, 301–02 (Del. Ch.), *aff'd*, 126 A.3d 1115 (Del. 2015) (quotation omitted). The defense may be raised against a receiver. *Id.* ("no cogent reason for sparing the innocent Receiver the effect of in pari delicto while equally innocent stockholders or policyholders would be barred from relief in the derivative context"); *Knauer v. Jonathon Roberts Fin. Grp., Inc.*, 348 F.3d 230, 236 (7th Cir. 2003) (affirming dismissal of the receiver's claims against the broker dealers, concluding that they were barred by the defense of in pari delicto).

Here, to the extent there are claims against the Defendants, DenSco, into whose shoes the Receivers steps, bears fault for damages about which it complains. Thus, the Receiver's claims are barred by doctrine of *in pari delicto* and, to the extent it specifically seeks equitable relief, by the related doctrine of unclean hands.

Laches

A claim is barred by laches when the delay in bringing the claim is "unreasonable under the circumstances" given "the party's knowledge of his or her right" and "any change in circumstances caused by the delay has resulted in prejudice to the other party sufficient to justify denial of relief." *Mathieu v. Mahoney*, 174 Ariz. 456, 459, 851 P.2d 81, 84 (1993). Receiver seeks to recover potentially millions of dollars in alleged damages resulting from loans Mr. Chittick made to Menaged. DenSco would have been aware of the harms that could befall DenSco and its investors as a result of DenSco's loans to, and lending practices with, Menaged, by Summer 2014 at the latest. DenSco's inaction for several years, up through the

death of Mr. Chittick, to seek relief against any potential third party for harms suffered by DenSco was unreasonable in light of DenSco's knowledge. Because the Receiver steps into DenSco's shoes, the claims are barred.

Setoff

Clark Hill filed a proof of claim in the DenSco Receivership for unpaid fees incurred by Clark Hill on behalf of DenSco after Mr. Chittick's death. The Receiver improperly denied the claim on the basis of an alleged conflict of interest. To the extent Defendants are found to owe Plaintiff anything, that debt must be reduced any sums Plaintiff owes Clark Hill.

Additional defenses:

- Third parties, including Mr. Chittick and Menaged, over whom Defendants have no authority or control, are at fault for any damages suffered.
- Densco, in to whose shoes the Receiver steps, is at fault for any damages suffered.
- Densco, in to whose shoes the Receiver steps, assumed the risk of any actions taken or not taken by DenSco or Mr. Chittick. *Hildebrand v. Minyard*, 16 Ariz. App. 583, 585, 494 P.2d 1328, 1330 (1972) ("A plaintiff who by contract or otherwise expressly agrees to accept a risk of harm arising from the defendant's negligent or reckless conduct cannot recover for such harm . . . .") (*quoting* Restatement (Second) of Torts § 496(B) (1965)).
- Receiver cannot demonstrate proximate cause or loss causation because Defendants are not the actual or proximate cause of any damages suffered.
- Any damages suffered were the result of intervening or superseding events or causes over which the Defendants had no control and were not legally responsible.
- Receiver's claims are barred by doctrines of waiver and estoppel.

Discovery is continuing. Defendants may supplement.

III. WITNESSES.

Because no discovery has taken place, Defendants have not yet identified all persons it may call as witnesses at trial, but reserves the right to call any of the following persons to testify as a witness at trial:

1. David Beauchamp
   c/o Coppersmith Brockelman, PLC
   2800 N. Central Avenue, Suite 1900
   Phoenix, Arizona 85004

Mr. Beauchamp is expected to testify regarding the allegations in the Complaint and his representation of DenSco and of Mr. Chittick in his capacity as president of DenSco.

2. Peter Davis, Receiver of DenSco Investment Corporation
   c/o Osborn Maledon, P.A.
   2929 N. Central Avenue, Suite 2100
   Phoenix, Arizona 85012

Mr. Davis is expected to testify regarding the allegations in the Complaint; the Receiver's evaluations, analyses, and determinations regarding all aspects of DenSco's finances, including, but not limited to, DenSco's loans, lending practices, record keeping, financial transactions, and solvency; the Receiver's maintenance of any DenSco or Chittick records or property, including, but not limited to, electronic records, websites, and email communications; the Receiver's communications with third parties related to DenSco, including communications with financial institutions, investors, and accountants and other professionals; the Receiver's determinations regarding the Receiver's evaluation and analysis regarding the potential fault, liability, or culpability of any third party with respect to any losses suffered by DenSco, including, but not limited, to Chase Bank, U.S. Bank, Yomtov Menaged, Active Funding Group, LLC, and/or Gregg Seth Reichman.

3. Any witnesses disclosed by other parties.

4. Any witnesses that become known through discovery.

5. Custodian or other foundational witnesses necessary to admit exhibits.

Discovery is continuing. Defendants may supplement.

IV. ADDITIONAL PERSONS WHO MAY HAVE RELEVANT INFORMATION.

1. Yomtov "Scott" Menaged

Scott Menaged is expected to have knowledge regarding all aspects of any personal, financial, or business dealings he may have had with DenSco and Mr. Chittick; all aspects of the fraud(s) he perpetrated on DenSco and Mr. Chittick, either directly, or through one of his entities, including, but not limited to, Easy Investments, LLC, Arizona Home Foreclosures, LLC, Furniture King, LLC, and Scott's Fine Furniture; all aspects of actions or conduct related to his criminal indictment, plea bargain, or sentencing in the United States District Court for the District of Arizona; his communications with DenSco and Mr. Chittick; and his communications with Mr. Beauchamp.

2. PMK Easy Investments, LLC
10510 East Sunnyside Drive
Scottsdale, AZ 85259

See Description for Scott Menaged.

3. PMK Arizona Home Foreclosures, LLC
7320 West Bell Road
Glendale, AZ 85308

See Description for Scott Menaged.

4. PMK Furniture King, LLC
3200 North Central Avenue
Suite 2460
Phoenix, AZ 85012

See Description for Scott Menaged.

5. PMK Scott's Fine Furniture

See Description for Scott Menaged.

6. Veronica Castro aka Veronica Gutierrez Reyes
c/o Thomas W. Warshaw Attorney at Law
33147 North 71st Way
Scottsdale, AZ 85266

Ms. Castro is expected to have knowledge regarding Menaged's personal, financial, or business dealings with DenSco and Mr. Chittick; the fraud(s) Menaged perpetrated on DenSco and Mr. Chittick, either directly, or through one of Menaged's entities; Menaged's communications with DenSco and Mr. Chittick; Menaged's communications with Mr. Beauchamp; the actions or conduct related to Menaged's criminal indictment, plea bargain, or sentencing in the United States District Court for the District of Arizona; and Ms. Castro's communications with DenSco and Mr. Chittick.

7. Luigi Amoroso

Mr. Amoroso is expected to have knowledge regarding Menaged's personal, financial, or business dealings with DenSco and Mr. Chittick; the fraud(s) Menaged perpetrated on DenSco and Mr. Chittick, either directly, or through one of Menaged's entities; Menaged's communications with DenSco and Chittick; Menaged's communications with Mr. Beauchamp; the actions or conduct related to Menaged's criminal indictment, plea bargain, or sentencing in the United States District Court for the District of Arizona; and Mr. Amoroso's communications with DenSco and Mr. Chittick.

8. Alberto Pena
c/o Law Office of Cameron A. Morgan
4356 North Civic Center Plaza
Suite 101
Scottsdale, AZ 85251

Mr. Pena may have knowledge regarding Menaged's personal, financial, or business dealings with DenSco and Chittick; the fraud(s) Menaged perpetrated on DenSco and Chittick, either directly, or through one of Menaged's entities; Menaged's communications with DenSco and Mr. Chittick; and the actions or conduct related to Mr. Pena's and Menaged's criminal indictment, plea bargain, or sentencing in the United States District Court for the District of Arizona.

9. Troy Flippo
c/o Storrs Law Firm PLLC
1421 East Thomas Road
Phoenix, AZ 85014

Mr. Flippo may have knowledge regarding Menaged's personal, financial, or business dealings with DenSco and Mr. Chittick; the fraud(s) Menaged perpetrated on DenSco and Mr. Chittick, either directly, or through one of Menaged's entities; Menaged's communications with DenSco and Chittick; and the actions or conduct related to Flippo's and Menaged's criminal indictment, plea bargain, or sentencing in the United States District Court for the District of Arizona.

10. Menaged family members, including, Joseph Menaged, Michelle Menaged, Jennifer Bonfiglio, Joy Menaged, Jess Menaged

Menaged's family may have knowledge regarding Menaged's personal, financial, or business dealings with DenSco and Chittick; the fraud(s) Menaged perpetrated on DenSco and Chittick, either directly, or through one of Menaged's or his Family's entities; the use of funds obtained from DenSco; Menaged's communications with DenSco and Chittick; and the

actions or conduct related to Menaged's criminal indictment, plea bargain, or sentencing in the United States District Court for the District of Arizona.

11. Shawna Heuer
c/o Bonnett Fairbourn, PC
2325 E. Camelback Road
Phoenix, Arizona 85016

Ms. Heuer is expected to have knowledge regarding Mr. Beauchamp's work on behalf of DenSco after Mr. Chittick's death and her communications with Mr. Beauchamp. Ms. Heuer may also have knowledge regarding Mr. Chittick and DenSco's business, and Mr. Chittick's communications with Mr. Beauchamp, Menaged, or DenSco's investors.

12. Jeff Goulder
Stinson Leonard Street
1850 North Central Avenue, Suite 2100
Phoenix, Arizona 85004

Mr. Goulder is expected to have knowledge regarding the negotiations of the Forbearance Agreement. Mr. Goulder also may have knowledge regarding Menaged's businesses, business practices, and finances. Mr. Goulder also may have knowledge regarding Menaged's communications with Mr. Beauchamp.

13. David Preston
c/o Gammage & Burnham
2 N. Central Avenue, Suite 15
Phoenix, Arizona 85004

Mr. Preston is expected to have knowledge regarding DenSco and Mr. Chittick's finances and tax returns. Mr. Preston is also expected to have knowledge regarding Mr. Chittick's retirement plan.

14. DenSco Investors

The Investors are expected to have knowledge regarding Mr. Chittick's communications to the Investors and their knowledge of DenSco's business, the status of their investments, and the status of DenSco's loans at all relevant times.

15. PMK Chase Bank
3800 North Central Avenue
Suite 460
Phoenix, AZ 85012

Chase Bank is expected to have knowledge regarding Menaged's banking practices, including Menaged's use of Chase Bank to perpetrate his fraud on DenSco and Chittick.

16. PMK US Bank
3800 North Central Avenue
Suite 460
Phoenix, AZ 85012

US Bank is expected to have knowledge regarding Menaged's banking practices, including Menaged's use of Chase Bank to perpetrate his fraud on DenSco and Chittick.

17. Gregg Seth Reichman/Active Funding Group
Attention: Andrew Abraham
702 East Osborn Road
Suite 200
Phoenix, AZ 85014

Mr. Reichman may have knowledge regarding Menaged's businesses, business practices, and finances; the fraud(s) Menaged perpetrated on DenSco and Mr. Chittick, either directly, or through one of Menaged's entities; and Mr. Reichman or his entities' (including Active Funding Group) participation in any of those fraudulent schemes (as suggested by the Receiver's Petition No. 45).

18. Daniel Schenk
c/o Coppersmith Brockelman, PLC
2801N. Central Avenue, Suite 1900
Phoenix, Arizona 85004

Mr. Schenk is expected to have knowledge regarding any work he performed on behalf of DenSco and Mr. Chittick in his capacity as president of DenSco. Mr. Schenk may also have knowledge of Menaged's communications with Beauchamp, Menaged communications with Mr. Chittick, and Mr. Beauchamp's communications with Mr. Chittick.

19. Robert Anderson
c/o Coppersmith Brockelman, PLC
2802N. Central Avenue, Suite 1900
Phoenix, Arizona 85004

Mr. Anderson is expected to have knowledge regarding any work he performed on behalf of DenSco and Mr. Chittick in his capacity as president of DenSco.

V. PERSONS WHO HAVE GIVEN STATEMENTS.

None at this time. Discovery is continuing. Defendants may supplement.

VI. EXPERT WITNESSES.

Defendants will identify expert witnesses in accordance with the schedule ordered by the Court.

VII. COMPUTATION AND MEASURE OF DAMAGES.

Plaintiff is not entitled to recover damages against Defendants.

Discovery is continuing. Defendants may supplement.

VIII. EXHIBITS.

Defendants have not yet identified which of the documents listed in Section IX below will be used at trial, and therefore expressly reserve the right to introduce any of the listed documents as exhibits at trial. Defendants may also use any documents identified in any other

party's disclosure statement or otherwise disclosed in this matter. By reserving the right to introduce any of the listed documents as exhibits at trial, Defendants do not waive their right to object to the introduction of any of these documents at the time of trial. Defendants will supplement this initial disclosure statement in accordance with Arizona Rules of Civil Procedure 26.1(b)(2).

Discovery is continuing. Defendants may supplement.

IX. LIST OF RELEVANT DOCUMENTS.

Defendants have not yet identified any additional relevant documents. The following documents, or categories of documents, may be relevant or lead to discovery of admissible evidence in this action and have already been exchanged or are being produced herewith:

1. Documents previously produced by Clark Hill bates labeled CH_0000001-13330.
2. Additional documents produced herewith by Clark Hill bates labeled CH_0013331-13374.
3. Documents previously produced by Plaintiff including bates labeled DIC000001-25330, 28634-53950 and Quickbooks backup.
4. Documents previously produced by Plaintiff including bates labeled D126751-128731 and 130972-133111.
5. Documents previously produced by Bryan Cave in response to Subpoena Duces Tecum bates labeled BC000001-3188.
6. Documents produced herewith by Dave Preston in response to Subpoena Duces Tecum bates labeled DP000001-601.
7. Any and all documents in CR-17-00680, United States of America v. Yomtov Scott Menaged, et al.
8. All documents produced by any party or third party in this litigation.

9. All pleadings, filings, minute entries, orders and judgments.

10. All deposition or hearing transcripts in the above captioned litigation.

11. All transcripts from any Section 341 creditor meetings, Rule 2004 examinations, depositions, or hearings in Yomtov Menaged's bankruptcy pending in the United States Bankruptcy Court for the District of Arizona at 2:16-bk-04268.

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

X. INSURANCE AGREEMENTS.

Not applicable.

DATED this 9th day of March, 2018.

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 mailed and emailed this 9th day of March, 2018 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

_____

VERIFICATION

STATE OF ARIZONA)
) ss.
COUNTY OF Maricopa)

David G. Beauchamp, being first duly sworn upon his oath, deposes and says:

I, David G. Beauchamp, am a Defendant in the matter *Peter S. Davis, as Receiver for DenSco Investment Corp. v. Clark Hill PLC; David G. Beauchamp and Jane Doe Beauchamp, Maricopa County Superior Court Case No. CV2017-013832.* I have read the foregoing Defendants' Initial Rule 26.1 Disclosure Statement and know its contents. The matters stated in the foregoing Initial Rule 26.1 Disclosure Statement are true and correct to the best of my knowledge except as to those matters that are stated upon information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of Arizona that the foregoing is true and correct.

DATED this 12th day of March, 2018.

David G. Beauchamp

David G. Beauchamp

VERIFICATION

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

Edward J. Hood, being first duly sworn upon his oath, deposes and says:

I, Edward J. Hood, am General Counsel of Clark Hill PLC, a Defendant in the matter *Peter S. Davis, as Receiver for DenSco Investment Corp. v. Clark Hill PLC; David G. Beauchamp and Jane Doe Beauchamp, Maricopa County Superior Court Case No. CV2017-013832.* I am authorized to make this Verification on its behalf. I have read the foregoing Defendant's Initial Rule 26.1 Disclosure Statement and know its contents. The matters stated in the foregoing Initial Rule 26.1 Disclosure Statement are true and correct to the best of my knowledge except as to those matters that are stated upon information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of Michigan that the foregoing is true and correct.

DATED this 9th day of March, 2018.

Edward J. Hood

Exhibit No. 6

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:

were that you start as a contract partner, and my contract partner situation rolled over into a non-equity partner role. That was during the 2008/2009, you know, start of the Recession. And the origination that I had and the work that I had significantly evaporated at the time, and it was -- it -- you know, it -- I could understand the firm's reasons for that.

Q. All right. And then you went from Bryan Cave to Clark Hill?

A. Correct.

Q. Why did you leave Bryan Cave?

A. In the plaintiff's disclosure statement, it indicated that I was terminated at Bryan Cave. We actually had a meeting and it was discussed that they wanted to focus on public securities work, and I agreed, there wasn't that much public securities work that I was going to be able to deal with here, and I thought it was a mutual meeting of the minds that I would leave, so it was interesting to read that in your disclosure statement.

Q. Okay. So you left because of a mutual meeting of the minds that it was time for you to move on?

A. It -- it -- it was sooner than I expected, but I had already come to the conclusion and was in fact talking with other firms before there was that conversation.

Q. All right. I would like you to turn to -- I

would like you to -- why don't you put this volume back up so we don't get too many out in front of you. And I want you to pull out Volume 4, Exhibit 162.

So Exhibit No. 162 is an email between you and Mr. Robert Miller on January 15th, 2014. It's an email chain.

A. Is this --

Q. Do you recognize this email?

MR. DeWULF: Colin, mine has highlighting on it. Do all the versions have highlighting?

MR. CAMPBELL: I'm sorry. I got behind and I wasn't able to substitute clean copies.

MR. DeWULF: Okay.

MR. CAMPBELL: When we get to something like this, that highlighting is probably highlighting I did.

MR. DeWULF: Okay. Well, that's fine. I didn't know if the witness also had highlighting.

MR. CAMPBELL: Okay. Yeah, the witness --

MR. DeWULF: Okay.

MR. CAMPBELL: I don't want to -- the original does not have it. And this will show up a few other times, too.

MR. DeWULF: No big deal.

THE WITNESS: Was this part of a longer email -- I mean, I don't remember specifically this email.

Q. (BY MR. CAMPBELL) Okay.

A. But at the same time it looks like this was part of a -- several email exchanges with Mr. Miller.

Q. Well, we will get into several email exchanges later on regarding the issues with respect to DenSco, but on this particular email, you write to Mr. Miller on January 15th, 2014, and you tell him that you do not want to attend any meetings at Bryan Cave, and you say, "My last few months there were more than a little difficult and I do not want to go back to that."

What were you referring to when you said your last few months there were more than a little difficult?

A. The conversation that I had had with the member of the management committee and the Phoenix managing partner I was told would be confidential. Two days later I had a bunch of people coming in my office trying to talk me into other options. And so it was just uncomfortable from the standpoint: Why are you leaving? You know: Well, good luck to you. And it -- it just was not a pleasant experience.

Q. Tell me -- so you had a confidential meeting with the managing partner in Phoenix?

A. At that time I was clearly under the understanding that it was to be confidential, talking about my practice and its direction and the firm's

direction, and they did not align.

Q. Who was the managing partner?

A. Jay Zweig.

Q. Okay. What was said in this meeting you had with Mr. Zweig about your future at Bryan Cave?

A. The initial meeting was that I needed to increase my originations. The subsequent meeting with Steve Sunshine was that it was not a fit. I had not, in the couple months, been able to increase the originations, and that despite my efforts, then that we should probably consider you going in your different direction.

And that's the way it was handled and, you know, I understood from the standpoint that, you know, that's what I had offered previously and they were taking me up on my offer.

Q. All right. Let me go back, because now there is two meetings.

So you had an initial meeting with Mr. Zweig and you talked about --

A. It was just part of my annual review and it was 30 seconds at the end of it.

Q. Okay. Tell me what was said in the 30 seconds at the end of your annual review regarding your originations?

A. What are you doing to increase your

originations?

Q. And was there any discussion about if you didn't increase your originations, that the firm wanted you to leave?

A. No.

Q. So it was just a conversation at the end of your annual review, that how are you doing on originations?

A. And it literally was having coffee outside a restaurant, which I would think that if it was to tell me something more serious than that, I would think it would have been in a private conference room.

Q. So between that first meeting with the managing partner and the next meeting where there was a discussion that maybe it was not a fit, how much time passed?

A. I -- maybe four months, but that's a guess, Colin.

Q. Okay.

A. I don't really remember specifics.

Q. Tell me what you recall about this conversation, where there was a discussion that maybe you are not a fit?

A. That was the statement that Jay Zweig made. I asked for clarification, and he simply said: Well, think about it. You'll understand.

I got -- I received no further, you know, explanation, that, or in a subsequent meeting when I said

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

proceed to move on is what I have told other people when it's happened to them and what I have experienced.

Q. So fair to say you were upset about it?

A. I'm not sure that's an accurate characterization.

Q. You weren't upset about it?

A. I was surprised and hurt.

Q. Okay. Did they give you a period of time to find another job?

A. Yes. Yes, they did. It was we will discuss, you know, look at the work that you have and, you know, what work you are doing for other clients, and then we will discuss an appropriate transition, but take a few months and find something that works for you.

Q. From the time you got the offer from Clark Hill to the time you moved over to Clark Hill, what's that interval of time?

A. The first offer or the second offer?

Q. That --

A. Because the first offer I turned down.

Q. From Clark Hill?

A. Yes. It was just a discussion on the phone, would this work, and there were certain considerations discussed that I was not comfortable trying to move into that arrangement.

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

tried to deal with it, but it never changed my focus with regard to, you know, meeting the needs of the clients, because that was clearly the agreement I had with Bryan Cave.

Q. All right. Your parting with Bryan Cave, your parting from Bryan Cave was so significant that you didn't even want to go back to the firm, true, even for a meeting?

MR. DeWULF: Object to form.

You can go ahead and answer.

THE WITNESS: I thought, and it wasn't so much personal to me, but I thought that having a meeting at that environment or in that environment would have been -- there would have been other issues coming up and to deal with that would have not been comfortable at all to my client.

Denny, Denny Chittick, excuse me, hated those kind of meetings to begin with, and having a meeting there would bring in distractions. And when we had meetings before, he wanted me right next to him the whole time and not talking to anybody else, unless it was a conversation. He -- he did not want to be left out -- left by himself on an island.

And I thought with the number of people from Bryan Cave, that at various Bar functions and ACG and

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

was not aware of that in January, February, maybe it was the end of March, maybe it was sometime in April, and I told him he could not do that without giving full disclosure, and he assured me he was.

Q. Let me see if I understand you correctly.

After January 9th of 2014, you were aware that he was raising monies either by rollovers or new investors, and that he told you he was making disclosures?

MR. DeWULF: Object to form.

THE WITNESS: I was not aware of that till probably the end of April, beginning of May, which is why we -- no, I was not aware of that till probably at that time, which forced a decision on my firm's part.

What he had told me previously was he had made arrangements with the bank for an additional line that he was providing to the company. He knew what was going on. He could do that.

He had also indicated that there were certain people that knew what was going on and that they were continuing their investments with him, and I don't remember what he meant by that. We clarified it at the time and it seemed logical. I don't remember what that conversation was, because sometimes he did a year note, but subject to call earlier, and he got them to waive the call. I don't remember the specifics on that at all.

But I was not aware that he was taking any new money from new investors or rollovers I would say until the end of April or May, because it was -- it was an absolute shock to me, which forced us to give him the disclosure that had to go out for the Forbearance Agreement and say, you know, we have to finish this thing, but in the interim, we need to send this to everybody before you proceed.

Q. (BY MR. CAMPBELL) Sir --

A. And he did not do it so we quit.

Q. Mr. Beauchamp, you told me under oath just a few minutes ago that you were aware or he told you he was making oral disclosures of facts to investors and raising money.

Did I mishear you?

MR. DeWULF: Object to form.

THE WITNESS: I was -- I thought you said after the January, and I was -- he did tell me, but that conversation was probably the end of April, beginning of May, with the exception of a few key investors that he had worked, heavy-hitter investors that had a special deal with him, which I don't know the details, that had helped him out in the 2008/2009 Recession.

Q. (BY MR. CAMPBELL) Well, let's pursue that a little bit.

You are telling me that you knew he was getting money from key investors without having revised his private offering memorandum from sometime after January 9th of 2014?

MR. DeWULF: Object to form.

THE WITNESS: Those key investors had like a rolling line of credit with him as opposed to the standard notes that he had. And those were individuals, as he put it, that, you know, multi, multi, multi-millionaires, and they really fell into a different category with that in terms of what they were doing. And he assured me they were fully aware, but the average investors that went on the note and everything, he wasn't touching them.

Q. (BY MR. CAMPBELL) So you are telling me, sir, you were aware he was raising money from investors that were not people that were giving him promissory notes?

A. In certain instances Denny had -- when he didn't have the bank line of credit, he borrowed money personally and then loaned it into DenSco. And I had told him that he should be consistent with all of his investors and to deal with it that way. "Oh, I just did it this once. I just did it this once."

I know in 2008 and 2009 that he signed personally promissory notes, which I never saw, to individuals and borrowed against those promissory notes to

meet certain shortfalls, but I was clearly under the impression, by the time I found out about it, he had discontinued the practice.

In this case, these were, quote, unquote, what he called his advisory council, who I never found out who they were, despite asking. I never saw anything, but these were personal friends that he had a different relationship with, and I did not know the details with that. And that was what he considered separate, because that was his personal, like with the bank, he is borrowing and putting it into the company. Never saw the notes, was not involved with it.

They did not have any preference over any of the investors, so it did not impact the issues for the investors in DenSco. I had thought short term he has borrowed some of that again, which I advised him against. It was not until the end of April, beginning of May, where it became aware that he had rolled over some notes, and -- but, again, I think this was his family, and I told him it doesn't matter if it's family. You can't do this without full disclosure. And -- and that's where he had said that: Okay. Fine. Let's get the memorandum done, which I already had Daniel Schenck start writing.

Q. We will come back to this, Mr. Beauchamp, but this would be another example where he ignored your

A. There was an assertion by counsel that there -- that I need to be ready to deal with a securities claim against me and the firm.

Q. Who told you that?

A. I think it was mentioned by a couple counsel for the investors, and that would have been the one called in August and asked for copies of our E&O insurance.

Q. Do you remember who called and asked for copies of your E&O insurance?

A. It was a California attorney. I don't remember.

Q. And this was in August?

A. Yeah. This was after the receiver had been appointed.

Q. Okay. You were never aware at any time before the receiver's appointment that your firm might be at risk for a securities claim?

A. I believe then, as I believe now, that I didn't do anything wrong, so I had not thought in terms of that. I had thought do whatever I could to help the situation, which was my attitude in -- after hearing of Denny's suicide, and that was my attitude trying to work with the Arizona Corporation Commission Securities Division.

Q. Mr. Chittick wrote an email letter to the investors.

Do you recall that?

A. I did not see that until subsequent, in the time period when Shawna, Denny's sister, shared it with me.

Q. All right. She shared it with you shortly after Mr. Chittick's suicide, correct?

A. She gave me a couple inches of paperwork and it was in there, and I had not -- well, I skim read different things and I saw that, but that -- in my perception, that's the type of thing that there is always threats of, and it's -- I didn't think there was -- initially I was too focused on trying to help the situation than to think what do I have to do to, you know, protect myself or the firm. I was simply trying to follow instructions and help.

Q. Well, here, since you were trying to help, why don't we look at Exhibit No. 414, which is going to be in Volume 7.

MR. DeWULF: Did you say 414?

MR. CAMPBELL: 4 -- 4-1-4.

Q. (BY MR. CAMPBELL) 414 is the letter that Mr. Chittick sent to the investors, right?

MR. DeWULF: Object to form.

THE WITNESS: No. I believe he prepared it, but never sent it.

Q. (BY MR. CAMPBELL) That's correct. I mean he prepared it and never sent it.

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

that. Yes, it is my handwriting.

Q. You have the practice of taking notes sometimes when you are on telephone calls?

A. Sometimes. If I am on my mobile or if I'm stepping out of a meeting to deal with a call, I sometimes forget.

Q. These -- these particular ones, these are your handwritten notes of different telephone calls you had. True?

A. It appears to be, yes.

Q. All right. So if you will turn to the second page, it's going to be Bates stamped 10957 at the bottom.

Do you see that?

A. Yes.

Q. And this is your notes of a conference call with Jim Polese and Kevin Merritt on August 17th, 2016, right?

A. Yes.

Q. And --

A. '16.

Q. 16.

And I'm just going to read -- let's read, look at your notes here.

You say "Wendy filed Complaint," right?

A. Yes.

Q. And you say, "Up to the time of 2015, DGB was

providing advice to DenSco & to Denny as an officer and Director of the Company," right?

A. That is correct.

Q. And then you say, "files in Denny's desk have subscription docs -- but not the POM."

You see that?

A. Private offering memorandum, yes.

Q. All rights. That's -- that's what you have been involved with, the private offering memorandum. True?

A. Correct.

Q. And it says -- and then you say, "Wendy disagrees & believes that the Receiver can waive the Company's right to assert the attorney-client privilege."

Do you see that?

A. Yes.

Q. And then you write, "Will send an Affidavit/Declaration for DGB to sign and return -- needs to be reviewed by CH in-house general counsel."

A. Correct.

Q. Tell me everything you can recall about this phone call.

A. Jim Polese was very concerned about any waiver of the attorney/client privilege until they had an opportunity to review the documents and prepare a log listing matters that were subject to the attorney/client

privilege on behalf of the estate. And just by saying that, it was his fight with Wendy Coy and not my fight.

They said they were going to prepare an affidavit/declaration for me to sign and return, and I added needs to be reviewed by Clark Hill in-house general counsel. And I don't remember if I added that during the call after making the statement or if I added it after the fact when, you know, I sat there after hanging up the phone and I thought, oh, yeah, and added it. I don't recall that.

Q. Mr. Beauchamp, you understood that Mr. Polese was taking the position that you represented Mr. Chittick personally, right?

MR. DeWULF: Object to form.

THE WITNESS: But in the beginning of the notes there, it says and to Denny as an officer and director of the company, not in a personal capacity.

Q. (BY MR. CAMPBELL) Listen to my question.

Remember we just looked at an email from Mr. Polese where he told Wendy Coy that they were asserting Chittick had a personal privilege with you, and you testified that was completely wrong when he wrote that, and I didn't respond to it because that's not my practice?

Do you remember that testimony?

MR. DeWULF: Object to form.

THE WITNESS: I think you are paraphrasing somewhat, but yes.

Q. (BY MR. CAMPBELL) Okay. So then you have this telephone call with Mr. Polese, who he did believe you had a personal attorney/client privilege with Chittick. True?

A. But I had explained to him that I didn't do anything with Denny other than representing DenSco.

Q. Okay. So you were very clear with Mr. Polese that "I never personally represented Mr. Chittick"?

A. I stated that I provided advice to Mr. Chittick and DenSco in connection with his licensing requirements with the Arizona Department of Financial Institutions.

I discussed with Mr. Chittick, in connection with his relationship with DenSco, of his fiduciary duty if he was going to own -- at the cost of DenSco, if he was going to own an interest in a title company that -- and have all of DenSco's loans go through that title company, I explained that's a conflict of interest that needs to be disclosed, and we -- and that, I guess, along with business issues, it went away. You know, he decided not to do the title insurance company.

Those were the incidents that I remembered sharing at some point with Jim Polese. And he says: Oh, that's clearly individual. And: Okay. I accept your

interpretation.

Q. Did you ever take the position that you represented Mr. Chittick individually with respect to preparing the private offering memorandums for DenSco?

MR. DeWULF: Object to form.

THE WITNESS: No. Anything we had acknowledged was in his capacity as an officer and director of DenSco.

Q. (BY MR. CAMPBELL) Did Mr. Polese ever take the position that all the work you did for DenSco was also done personally for Mr. Chittick?

MR. DeWULF: Object to form.

THE WITNESS: Not that I'm aware of.

Q. (BY MR. CAMPBELL) You were never in a courtroom where you heard him say that?

A. The hearing in connection with the receiver, and when they argued the attorney/client issue, there was a number of things. I don't remember.

I do know I did have to step out of the hearing for a few minutes to go to the bathroom, excuse me, and that was when Mr. Polese was in fact having oral argument, but I don't -- I don't remember him saying that.

Q. Let's look at your next telephone message. It's got Bates stamp 10951. We are still on Exhibit 295. And this is a telephone call you are having with Wendy Coy on August 17th, 2016, right?

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.

THE WITNESS: No, I have not.

Q. (BY MR. CAMPBELL) You know as a sworn attorney you have to not misrepresent facts to the Court?

MR. DeWULF: Object to form.

THE WITNESS: I am not misrepresenting the facts. I'm explaining the facts as I understood them at the time.

Q. (BY MR. CAMPBELL) You now understand these facts are not true, correct?

MR. DeWULF: Object to form.

THE WITNESS: I understand that the wording should have been different than what I put there.

Q. (BY MR. CAMPBELL) When did you learn that?

A. I -- I don't remember that, but it was subsequent to that in discussion with ethics counsel.

Q. You understand you have an obligation, if a misstatement is made to the Court, to go and correct the record?

MR. DeWULF: Object to form.

THE WITNESS: My understanding is that information was communicated by counsel and clarified.

Q. (BY MR. CAMPBELL) Clark Hill went back to the judge who handled this hearing and clarified this information?

A. I don't remember who did it. It's quite

possible it wasn't Clark Hill. It -- it -- but somebody from Clark Hill did have a conversation in connection with clarifying the issues for the receiver, and -- and I don't believe the Court was informed but it was clarified with the receiver. I do -- do not know how that was resolved or any of the details. I relied on counsel for that.

Q. All right. But for purposes of our deposition today, you will admit that the affidavit as drafted that was submitted to the Court misrepresented the facts?

MR. DeWULF: Object to form.

THE WITNESS: I admit it's misleading, which was not intentional.

Q. (BY MR. CAMPBELL) Turn to Exhibit No. 301. 301 is an email between -- let me wait for you to get there.

You see at the top it's an email between you and Mr. Sifferman?

A. Yes. This should not have been provided. This was in connection with attorney/client privilege.

Q. Is there some privileged communication on here I am missing? Because I don't see any confidential attorney/client privileged communication. I just see a communication about a hearing.

A. This flowed out of conversations with Mr. Sifferman concerning the declaration and the hearing.

Q. You see that you emailed Mr. Sifferman on

A. I know I have read this, but I -- you are -- by giving me a copy, you are refreshing my recollection.

Q. Good. And I assume like the rest of us, you can do a "reply all" press on your computer and respond to this, right, if you choose to?

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) Did you reply to everyone and say "I did not represent Mr. Chittick personally"?

That just calls for a yes or no, David.

A. I don't recall.

Q. You don't recall?

I have not seen any email that you replied to this. Do you think you replied and said "I do not represent Mr. Chittick ?

A. I -- I -- I literally don't recall nor do I remember if I asked somebody else to respond to it.

Q. Turn to Exhibit No. 318.

These are your handwritten notes of telephone calls, correct?

A. Correct.

Q. So you have a telephone call with Kevin Merritt on August 30th, 2016, and the second note you make under that, I'm looking at the bottom call: Some of Clark Hill's material should be deemed attorney/client privileged on behalf of the estate.

Do you see that?

A. Yes.

Q. Do -- in that telephone call did you tell Mr. Merritt, "I didn't represent Mr. Chittick personally, they shouldn't be deemed privileged"?

MR. DeWULF: Object to form.

THE WITNESS: When I had explained to Mr. Polese and to Mr. Merritt the -- my concern with representing Denny Chittick personally was through -- for DenSco, I was told in no uncertain terms that's sufficient to raise our concern, and that was where I came from.

I don't know if we had that conversation at this point, and this was Kevin saying that the materials we deemed attorney/client and he wanted me to hold off on delivering those to the ACC or to the receiver until their issues got resolved as to how they were dealing with it.

Q. (BY MR. CAMPBELL) Did you ever stop to think that maybe the estate was using the attorney/client privilege to prevent the receiver from learning information?

MR. DeWULF: Object to form.

THE WITNESS: I have no way of knowing what the estate intended or what it was or what their concerns were. I -- in the conversations, they were concerned that information that was attorney/client privileged to Denny

your mind there was a conflict of interest between Mr. Chittick individually and DenSco?

MR. DeWULF: Object to form.

THE WITNESS: It did cross my mind the minute he refused to do the disclosure we provided to him in May, and that led to our resignation.

Q. (BY MR. CAMPBELL) The very first time you thought there was a conflict of interest between what Mr. Chittick was doing and what was in DenSco's interest as a fiduciary was not until you terminated the representation? Did I hear you right?

THE WITNESS: Excuse me. Could you go back two questions and ask -- did he say when I first considered it or when I thought there was?

MR. CAMPBELL: Don't do that. I'll rephrase.

Q. (BY MR. CAMPBELL) When did you first consider there was a conflict of interest between what Mr. Chittick wanted and what was in the best interests of DenSco?

A. As facts were disclosed to me, I suspected there was a -- or there was a concern on my part that the -- that what Denny wanted wasn't in DenSco's -- did not satisfy DenSco's obligation.

I questioned Denny about that. I explained my concerns, and he was able -- he said: I've always told you the truth. I've always, you know, done what you

wanted. You know, we are going to do it. I am telling the investors. You got to believe me on this. And given our relationship, I accepted that.

Q. When did this happen? I asked you when did it first occur to you? You told me, "It occurred to me when I had this conversation." When was that?

A. We had bits and pieces of -- of that conversation over time. Clearly when I saw the loan, outstanding loans on the -- the exhibit to the Forbearance Agreement, we had that discussion.

I think I had bits and pieces of that conversation with him beforehand: How much, you know, this sounds like there is a lot more loans than we talked about, this is getting to be much bigger. You know, we need to make sure the investors are aware of this because there is a problem.

And he assured me: We are getting them resolved. We are dealing with this. The unsecured loan is, you know, we are getting more security. He even told me that Menaged is bringing in the money that he has promised, and all of that was reducing the risk, et cetera.

And, okay, fine. He said he was doing everything he could for the investors. And I said, you know, if this thing -- you know, if this thing doesn't get

resolved quickly, we have got to do a written disclosure.

Q. You still haven't told me when it first occurred to you there was a conflict of interest between what Mr. Chittick wanted to do and what you believe DenSco should do.

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) Can you tell me when?

A. I do not exactly remember when, and to the extent that I had conversations with general counsel of the firm, those are, you know, privileged, and --

Q. What does your conversations with the general counsel of the firm have to do to when it first occurred to you that there was a conflict of interest?

Did you go talk to the general counsel of the firm between January of 2014 and the time you terminated your representation?

A. Yes.

Q. And you went to talk to the general counsel of the firm about the conflict of interest?

A. About --

MR. DeWULF: Be careful here. I think you can talk about the topic.

THE WITNESS: Yeah.

MR. DeWULF: I don't want to reveal what communications may have occurred.

THE WITNESS: The totality of the circumstances and my increasing level of comfort with what was -- what I was getting feedback on.

Q. (BY MR. CAMPBELL) Okay. Mr. Beauchamp, are you -- from what you have told me, as far as I can tell, the only time it ever occurred to you there was a conflict of interest is when you terminated in May.

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) Is there any time before that?

A. I believe -- I believe what I have said is that the issue occurred to me, and I brought up and had the conversation with Mr. Chittick when it became apparent he wasn't following through for us to do the written disclosure.

Q. And when did you have that conversation?

A. I think I have already said I don't remember all the times we had it, and -- but we did have it on several different occasions, and there -- there is references and emails to the effect of fiduciary duty and disclosure. Typically those would be after I brought it up in the conversation and he had dismissed it.

Q. Turn to Exhibit No. 21.

Have you seen -- again, I'm sorry, those are highlighted. Have you seen Exhibit No. 21 before?

Mr. Beauchamp was providing, and with concerns that Mr. Chittick may not have been providing any disclosures to anyone since January 2014, Mr. Beauchamp informed Mr. Chittick that Beauchamp and Clark Hill could not and would not represent DenSco any longer."

That's your best memory of what happened?

A. Yes.

Q. When in May 2014 did you have this conversation?

A. Approximately May 20th. May 18th, May 20th, somewhere in there, give or take a few days.

Q. Okay. Turn to Exhibit No. 11.

So Exhibit No. 11 is -- it's your invoice. Well, there is a cover letter for legal services through the end of May, and it's dated June 25th, 2014, correct?

A. Correct.

Q. You bill all your time. True?

MR. DeWULF: Object to form.

THE WITNESS: I review it, and if there is a question as to value or whatever, I make adjustments as is required under the ethical rules, so...

Q. (BY MR. CAMPBELL) I notice on the cover letter for June 25th, there is no statement in here "we have terminated our representation."

A. No. There should have been, but there isn't. And I believe I did that simply because Daniel Schenck was

still trying to clean up issues on the foreclosure agreement, although I was no longer involved, at Denny's and my mutual agreement.

Q. Before you -- before you terminated with Mr. Chittick, as I understand it, you had a conversation with the general counsel of Clark Hill?

A. Correct.

Q. When you terminated Mr. Chittick, did you write a letter saying: Dear Mr. Chittick, We represent DenSco. Here is the advice we gave you. You are not following our advice. We think you are committing securities fraud. We can't be parties to that. We urge you to come into compliance with the law, but we cannot represent you because we can't be part of securities fraud.

Did you write a letter like that?

A. No, I did not.

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) Why would you have not written a letter, after talking to general counsel, putting in writing that you were terminating Mr. Chittick and why you were terminating Mr. Chittick?

MR. DeWULF: Object to form.

THE WITNESS: Denny had indicated he was already in consultation with other securities counsel. He would not give me a name. And I said, "Well, we will get the

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.

A. I believe at that time in conversations with Mr. Sifferman, I was advised to --

MR. DeWULF: Don't talk about privileged communications, but you can talk about an event, if you wish to. Be careful about what you say.

Q. (BY MR. CAMPBELL) If you have a concern whether you are going to violate a privilege, I will let you step outside and talk to your counsel so you don't.

THE WITNESS: I should do that.

MR. DeWULF: I trust --

THE WITNESS: Okay. No.

MR. DeWULF: I trust your judgment on this. I just want to make sure you are thinking about it.

THE WITNESS: Yeah.

MR. CAMPBELL: And I want to be protective.

MR. DeWULF: No, I get it and I appreciate it. Thank you for the gesture. I want to --

Are you comfortable, David, going forward?

Let's take a minute.

THE WITNESS: No. Give me -- give me a minute.

VIDEOGRAPHER: The time is 3:39 p.m. We are going off the record, ending media six.

(A recess was taken from 3:39 p.m. to 3:42 p.m.)

(The requested portion of the record was read.)

VIDEOGRAPHER: My name is Mary Onuschak with the

firm of Legal Video Specialists, Phoenix, Arizona. This begins media six of the videotaped deposition of David Beauchamp. The time is 3:42 p.m. We are now back on the record.

THE WITNESS: Thank you. Thank you for rereading the question, but just to clarify, I think you said May 2019. We are referencing 2014.

Q. (BY MR. CAMPBELL) Correct.

A. Just -- okay.

No, I don't believe there is anything in the file. The billing records show work ceased. I talked with Denny Chittick. He acknowledged it. He said he was talking with other counsel, and I advised the appropriate people within my firm that that was the conclusion.

Q. Who was the appropriate people within the firm you advised?

MR. DeWULF: I think you can say.

THE WITNESS: Mark Sifferman.

Q. (BY MR. CAMPBELL) Was he the only one?

A. I'm sorry?

Q. Was he the only one?

A. I think I also advised the head of the corporate group, but I don't remember for sure, because he had been involved with various questions during it as well.

Q. What was his name?

private offering memorandum.

Do you see that?

A. Yes.

Q. And if you turn the page, there is entries from Mr. Schenck with respect to working on the POM.

Do you see that?

A. Yes.

Q. And then you have an entry for research concerning Dodd-Frank.

Do you see that?

A. Yes.

Q. And then your last entry is May 14th, additional revisions to private offering memorandum?

A. Yes.

Q. Now, you write "finish first draft."

Was there an actual finished first draft of the POM in this case?

A. Yes and no. Typically when we call it a first draft, that's what we are going to give to the client. It has questions throughout it in brackets and highlighted or in the margin and there is blanks, but it is considered enough of a draft to share it with the client.

Q. All right. So I will tell you the only drafts we have are ones that have questions on the side and all sorts of things.

A. Right.

Q. It's not a completed POM.

A. Correct.

Q. So there was never a fully completed POM prepared?

A. No. The portion of the POM that was completed dealt with the forbearance language, and that was the section that we did the POM for so that Denny would be able to review it and approve that language, because that was the litmus test.

Q. All right. There is nothing written down here after May 14th of your meeting with Mr. Chittick.

A. Denny Chittick said specifically don't -- you know, don't bill me for this. Don't put any time down. This is your decision what you are doing. This is for you. I don't want to pay it. I don't want to see it.

Q. Where did this meeting take place?

A. I do not remember the details of the meeting. I know part was by phone. He had to run off to something else, and then we -- we met to discuss it, and it was -- he was not happy.

Q. We have seen a lot of your notes and we will see more tomorrow where you keep notes of telephone call with, many with Chittick. There is no telephone call with note with Chittick with respect to your terminating

Q. (BY MR. CAMPBELL) You haven't read it. I'll move on. I'll accept the objection.

MR. DeWULF: Thank God.

Q. (BY MR. CAMPBELL) So you met with him?

MR. DeWULF: Thank you so much.

Q. (BY MR. CAMPBELL) You met with him, right?

A. Pardon?

Q. You met with Mr. Chittick?

A. Yeah. It was a very nondescript quick lunch meeting.

Q. Nondescript. He is your friend. He is your 20-year friend. You have terminated him. You have reinitiated contact. Tell me everything that happened.

MR. DeWULF: Object to form.

THE WITNESS: Saw him there. We shook hands. I asked how his boys were, how the family was.

Just to give you an idea how superficial it was, he was divorced by that time and he never said a word about it. And I know that had to be very traumatic for him, so -- but he did tell me how the boys were doing.

And I then asked, "I'm afraid to ask this, you know, given I'm not representing you on the securities stuff," which he made a comment about, I don't remember what it was, "but I would really like to know how the forbearance is going. Is it working out? I care as a

friend." And he went on and on that, yes, it is, et cetera. They are going to have it all taken care of in a certain period of time.

And I told him, you know, based on past experience, things with Scott always take longer than you expect. Give yourself more time there. Who are you using for your securities counsel? He got up and left.

Q. (BY MR. CAMPBELL) He got up and left?

A. Yes. And that was pretty much -- pretty much it.

Q. So you never learned who his new securities counsel was?

A. That is -- that is correct.

Q. Let's go back to Exhibit 22. And I will break after this exhibit for the day.

I want you to turn to the journal entry for June 18th, 2015.

MR. DeWULF: Hold on just a second.

MR. CAMPBELL: So it's going to be 22, RECEIVER_112.

Q. (BY MR. CAMPBELL) Sir, do you see on June 18th, he has a conversation or he has a notation?

A. Yes, I see he references date --

Q. Hold on. I need to go back. I got the wrong number. Go to March 24th.

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:

That's what he tells you, correct?

A. Yes.

Q. And he attaches to his email a complaint. It's civil action -- it's going to be on Bates stamp 59, and it's Civil Action 2013-007663. It's been filed by Cobb & Lake, but you recall getting this email and the Complaint that's attached, right?

A. Correct.

Q. And going back to his cover email, he tells you in his last paragraph, "I'm ok to piggy back with his attorney to fight it. Easy Investments willing to pay the legal fees to fight it. I wanted you to be aware of it, and talk to his attorney."

That's what he tells you, correct?

A. Correct.

Q. Did you ever talk to the attorney that Mr. Chittick wanted you to talk to?

A. The attorney is Jeff Goulder and I did talk to him, but not at this time.

Q. All right. Mr. Goulder you are going to spend a lot of time talking to later on in 2014?

A. Correct.

Q. But with respect to this letter, you never talked to Mr. Goulder. True?

A. No. Mr. Chittick changed his advice in a phone

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

under oath, in connection with this lawsuit, you told Mr. Chittick: Don't fund the loans directly to DenSco, give them to the trustee, correct?

MR. DeWULF: Object to form. I think you misspoke, Colin. Let's read it back.

MR. CAMPBELL: I will rephrase it. It's quicker.

Q. (BY MR. CAMPBELL) Fair to say that you verified under oath in your 26.1 statement, your first one, you advised Mr. Chittick to fund DenSco's loans directly to the trustee, rather than provide loan funds directly to the borrower, which in this case was Mr. Menaged. True?

MR. DeWULF: Object to form.

THE WITNESS: My hesitation is I -- could you read back, I just want to make sure the timing as to when I am supposed to look.

Q. (BY MR. CAMPBELL) What's your question? The time?

MR. DeWULF: He is asking it to be read back, if she can read it back.

MR. CAMPBELL: Go ahead.

(The requested portion of the record was read.)

THE WITNESS: True.

Q. (BY MR. CAMPBELL) Fair to say that if Mr. Chittick in June 2014 was funding money to Mr. Menaged

directly as opposed to giving the money to the trustee, that would be a material fact that would have to be disclosed in the POM. True?

MR. DeWULF: Object to form.

THE WITNESS: I didn't have any of those details at that time.

Q. (BY MR. CAMPBELL) Again, I am asking you, and this is now I don't know how many times I have asked you, if you can answer the question yes or no, answer the question yes or no. If you cannot answer it yes or no, tell me.

MR. CAMPBELL: Can you reread the question to the witness, and see if you can follow my instruction.

(The requested portion of the record was read.)

THE WITNESS: I can't answer that true or false.

Q. (BY MR. CAMPBELL) Thank you.

A. It's --

MR. DeWULF: No. Just -- you have given an answer.

THE WITNESS: There is too many total loans.

MR. DeWULF: Give him an opportunity. If he wants to ask a question, he can.

Q. (BY MR. CAMPBELL) Okay. Let's turn to Exhibit No. -- it's 105A, which is going to be in Volume 3.

MR. DeWULF: What number again, Colin?

together.

Do you remember emailing him back?

A. Yes.

Q. And then if you look at the very first page, Mr. Chittick emails you back and says, "I'll re-read it and see what I come up with. Thursday would be better, Tuesday I have boys in the afternoon."

So he is trying to set up a meeting with you, correct?

A. Correct.

Q. And at this time he is cooperative. True?

A. Correct.

Q. So let's turn to Exhibit No. 107.

So Exhibit No. 107 are your notes of a meeting with Mr. Chittick on May 9th, 2013, correct?

A. It appears to be the case.

Q. And I -- do you recall if this was a meeting in your office?

A. I believe so.

Q. And are these notes you are taking during the meeting or do you do them after the meeting?

A. During the meeting.

Q. And you are just trying to put down what facts that you want to record and just have in the file?

A. Subjects that were touched on that I need to do

something further with.

Q. All right. And one of the things you have right at the top is $50 million, right?

A. Correct.

Q. And one of the things that's going to happen is you have a concern because of the $50 million amount of loans, that might trigger some other regulatory requirements, correct?

A. That is correct.

Q. It looks like he has 114 accounts from 75 to 80 individuals, right?

A. Correct.

Q. He tells you the types of loans he is doing, correct?

A. Correct.

Q. All right. So Mr. Chittick was cooperative at the meeting?

A. As far as I remember, yes.

Q. He was a good client, giving you all the information you had asked for?

A. As far as I remember, yes, or agreed to give the information. Excuse me.

Q. Turn to Exhibit 119.

So you are at Bryan Cave at this time, right?

A. Correct.

Q. And 119 is the Bryan Cave billing records from May of 2013, and if you look at Bates stamp BC_3079, those are your billing records, right?

A. What -- 3079?

Q. 3079.

A. Okay. Yes.

Q. You see it's for legal services rendered through May 31, 2013? And it's all your time, correct?

A. It's all the time I recorded and billed.

Q. Right.

You worked over six hours on the private offering memorandum, including your meeting on May 9th.

Do you see that?

A. That's what I billed, correct.

Q. Now, let's go to Exhibit 106.

A. On May 9th, in my description, I say travel to and meeting with D. Chittick, so maybe the meeting was not in my office.

Q. Okay. Thank you.

So let's go Exhibit 106. Okay. So 106 is a Confidential Private Offering Memorandum dated May 2013.

Do you see that?

A. Where is the May -- I see May blank. I don't --

Q. Right.

A. Where is the specific date?

Q. (BY MR. CAMPBELL) All right. And then turn to the first page where you are writing Mr. Wang back. And you tell Mr. Wang: I was not aware that the client had added his personal description of who or what is an eligible investment or creditor to the DenSco website. I will have him take it down.

Do you see that?

A. Yes.

Q. Now, do you recall that the problem with this is that in order to get back under the Regulation D exemption, DenSco would have to cease its business for several months and then start over again?

MR. DeWULF: Object to form.

THE WITNESS: The language, that -- that was discussed amongst counsel and the determination was made, given the proposed changes at the time at the SEC and the fact that the language was not so clear asking for investors, that that wasn't required as part of that. We just needed to get it down, and we got it down immediately.

Q. (BY MR. CAMPBELL) I'm going to ask you again, if I ask a yes or no question, I want you to answer yes or no.

A. I didn't realize that was a yes-or-no question.

Q. Turn to Exhibit No. 116. This is one of your

handwritten notes of a telephone call with Randy Wang on June 17th, 2013.

Do you see that?

A. Yes.

Q. And you see you write in your handwritten notes: What is the effect of the website?

Do you see that?

A. Yes.

Q. The first thing you write: What is the effect of the website?

If you look at the very last thing you write, you say: Best bet -- wait 6 months after it is taken down.

Do you see that?

A. Yes.

Q. On June 17th, 2013, Mr. Wang, an attorney at Bryan Cave, was telling you the best bet was for Chittick to stop his business, wait six months, and then start up again. True?

MR. DeWULF: Object to form.

THE WITNESS: That's what he said, to be 100 percent safe, and that was the conversation I had with Chittick.

Q. (BY MR. CAMPBELL) Okay. Turn to the next tab, which is Exhibit No. 117.

This is an email from you to Mr. Wang dated June 17th, 2013, correct?

A. Correct.

Q. And you are telling him a little bit about the business, right?

You tell him there are 114 individual investors from approximately 80 families. All of his investors are either family or friends or verified referrals from family or friends.

You tell him that. True?

A. Correct.

Q. You tell him that, "According to his note schedule," this is the last part of the email, "Denny has approximately 60 investor notes that are scheduled to expire in the next 6 months."

Do you see that?

A. Yes.

Q. And you understood that in Mr. Chittick's business there were constantly notes expiring and rolled over and then coming due again, correct?

MR. DeWULF: Object to form.

THE WITNESS: I was aware that notes would roll over at various times. The number and amount and timing I did not know.

Q. (BY MR. CAMPBELL) And you told Mr. Wang that

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?

though he told you to stop work on the 2013 private offering memorandum, that he authorized Bryan Cave to send to you the entire file on the 2013 private offering memorandum?

MR. DeWULF: Object to form.

THE WITNESS: I don't see the form that he signed for that, but that is what I remember talking to him about. And he wanted, very clear, this doesn't mean to start work on it.

Q. (BY MR. CAMPBELL) So your testimony under oath is he sent the 2013 file from Bryan Cave over to you, that you opened up a file to finish the private offering memorandum, and that he told you to open the file but not work on it?

MR. DeWULF: Object to form.

THE WITNESS: He specifically said: I'll sign the engagement letter, but I'm not authorizing you to do any work on it until I'm ready to go. And that's what I'm -- that's what happened.

Q. (BY MR. CAMPBELL) Let's turn to Exhibit No. 139A. This is an email from Mr. Chittick to you on December 18th, 2013.

Do you see that?

A. Yes.

Q. And he says to you, quote, "Since you moved,

received the physical file from Bryan Cave.

Q. (BY MR. CAMPBELL) Well, we do know, though, that on December 18th, 2013, Mr. Chittick sent you an electronic file.

A. That is correct.

Q. On December 18th, you told Ms. Stringer, "Please put this on our system for DenSco Investment Corporation," correct?

A. Correct.

Q. And then in January 6, you go to Ms. Stringer and you say: This is what I sent you last month. I'm not sure where it is on our system.

A. Yeah, that is what the email reads.

Q. Fair to assume from that, that from Mr. Chittick's email of December 18th when he said where is the POM, that you really didn't look at the issue again until January 6 when you were looking for the POM and couldn't find it?

MR. DeWULF: Object to form.

THE WITNESS: There was interim stuff done, but I was also out of the office for a period of time. That was the Christmas holiday.

Q. (BY MR. CAMPBELL) Let me get the right number here. I want to go to Volume 1 of the documents and I want to look at your billing records for December of 2013,

so I can get you the number for that.

So actually, if you turn to Exhibit No. 6, these are your billing records for -- actually, they are both December of 2013 and part of January.

Are you with me?

A. Yes.

Q. So on December 18th, you see you bill, review email. That's the email when Mr. Chittick is asking where is the POM. And you indicate you had a telephone conversation with him and you reviewed the POM.

Do you see that?

A. Yes.

Q. And then remember he also asked you about doing business in Florida.

A. That -- and he said that was the priority issue.

Q. Well, apparently so, because on December 18, everything else you have listed is with respect to Florida.

MR. DeWULF: Is that a question?

Q. (BY MR. CAMPBELL) Everything you have -- I will rephrase it.

Everything you have listed after December 18th, 2013, is about the issue of doing business in Florida, right?

A. Yes.

Q. So let me see if I -- am I right.

Your testimony is that he told you to stop working on the POM in August 2013, correct?

A. That is correct.

Q. And then on December 18th, 2013, when he emailed you and said where is the POM, your testimony is that in a telephone conversation you had with him, he said it wasn't a priority?

A. No. Let's go back and look at his email on December 18th or whatever it was. He simply referenced we hadn't finished it, which is correct.

Q. My question to you, your testimony is that in the telephone conversation you had with him on December 18th, 2013, he said it's not a priority?

A. No, I'm not saying not a priority. He said Florida -- he had to have an answer by end of the year concerning Florida.

Q. All right. So just so I'm fair, you didn't -- the reason you didn't work on the POM from August of 2013 to December 18th of 2013 is because Mr. Chittick told you not to, right?

MR. DeWULF: Object to form.

THE WITNESS: He did not provide the information requested and he had said put it on hold, despite my comments that he needed to do the disclosure.

Q. (BY MR. CAMPBELL) And from December 18th to the rest of the year, you didn't do anything on the POM, because he said do Florida first?

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) True?

A. That -- that is what he said, yes.

Q. Now, Mr. Beauchamp, you have stated under oath that you had a telephone call with Mr. Chittick in December of 2018, correct?

A. Yeah, that is what's reflected on the -- the time, time records.

Q. But under oath you have said, in your Rule 26.1 statement, that in that phone call Mr. Chittick advised you of problems he was having with DenSco?

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

(The requested portion of the record was read.)

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) Does that ring a bell with you?

A. He -- he indicated briefly that there were certain loans that he was having an issue for, enough that I had to review the POM to confirm the comments giving him discretion to do -- to resolve some loan issues.

Q. Let's go back to your 26.1 statement, if we could. So that's going to be Exhibit No. 4, I believe.

properties? Yes or no please.

A. I cannot answer in the form provided.

Q. All right. Let's go to Exhibit No. 143.

This is a handwritten note of a telephone call you had with Mr. Chittick on January 6, 2014, correct?

A. That is correct.

Q. First of all, I don't see anything on this handwritten note about Mr. Chittick getting you any recorded documents.

Do you see it?

MR. DeWULF: Object to form.

THE WITNESS: Just because it's not referenced here doesn't -- that was a specific question I had asked him.

Q. (BY MR. CAMPBELL) My question was, sir, is there anything on this handwritten note that indicates you want Denny to get you records?

A. No, there is nothing on the handwritten form.

Q. You write that "largest borrower had a guy working in his office & was getting 2 loans on each property."

You see that?

A. Yes.

Q. All right. That is a material fact that any investor would want to know. True?

MR. DeWULF: Object to form.

THE WITNESS: Again, it depends on the facts and circumstances.

Q. (BY MR. CAMPBELL) You think you need further facts and circumstances to make a determination as to whether the largest borrower of DenSco has a guy working in his office getting two loans? You need to know more facts to determine whether that is material to an investor?

A. I need to know more facts to be able to determine the extent of the issue so I can disclose it properly. A bad disclosure with improper information is worse than no disclosure at all. You need to get the correct information and then disclose it.

Q. So part of getting the correct information would be to get the recorded documents on the list of loans you have and to see if they are a problem and what the value of them are, correct?

MR. DeWULF: Object to form.

THE WITNESS: That's only one small part of it.

Q. (BY MR. CAMPBELL) You didn't even do that one small part of it, correct?

MR. DeWULF: Object to form.

THE WITNESS: I received an index from Denny.

Q. (BY MR. CAMPBELL) What index did you receive

from Denny?

A. Information that -- from the records that he had reviewed. I didn't receive the actual records. I received information from him indicating --

Q. Mr. Beauchamp, you were given a list of loans by Mr. Miller and you never went and got the recorded documents on those properties. True?

A. True.

Q. Now, Mr. Chittick also tells you that he has already fixed about six loans. Did you ask him what that meant, fixing six loans?

A. Yes, I did, and --

Q. What did it mean to fix six loans? What did he tell you?

A. They paid off -- paid off the other lender on the property, or the property has been sold and they paid them off.

Q. Okay. Well, if they paid off the other lender, what did DenSco get paid?

MR. DeWULF: Object to form.

THE WITNESS: I don't remember exactly how he answered it, but to paraphrase, Denny said that it was taken care of without a loss.

Q. (BY MR. CAMPBELL) Well, DenSco owes fiduciary duties to the investors who are in those six loans, right?

A. Okay.

Q. All right. So you are being told in the email that a fraud has been committed.

Would it be fair to say that a fraud had been committed upon DenSco?

A. Based on the information he has provided here, yes, there was a fraud committed, but in no way here did I understand the dollar amount, the facts or circumstances, and what DenSco was going to be at risk.

He does reference Menaged is bringing in 4 to 5 million in the next 120 days, plus other money. All that goes into, you know, the extent of the fraud.

Q. You had a full list of loans from Mr. Miller from his letter that you got a few days before with respect to his clients and what properties they had.

A. What number was that? I'm sorry.

Q. 142, sir.

You have a list of his loans from his clients that were double-liened, correct?

A. As he purported, yes.

Q. And you knew that there were more lenders than just Mr. Miller's clients?

A. According to Denny's email, yes.

Q. All right. I want to focus on fiduciary duty right now.

DenSco had a fiduciary duty of loyalty and disclosure to its investors. True?

A. Correct.

Q. In your opinion, when you read on January 8th the January 7th email coupled with Mr. Miller's, did you form an opinion that DenSco, pursuant to its fiduciary duties, had to tell its investors that this fraud had been perpetrated upon them?

A. It raised specific concerns and questions, and we needed to get the facts and answers to those, how it was to be taken care of.

Q. So your opinion on January 8th, 2016, after you read Mr. Miller's letter and after you read this email, was that in your opinion, you did not have an immediate duty to disclose to the investors these facts under DenSco's fiduciary duties?

MR. DeWULF: Object to form.

THE WITNESS: I needed to verify facts and get information. The valuation of the collateral, the numbers of the loans, all of that, that's all relevant to determine what is going to be the net effect to DenSco, his company.

Q. (BY MR. CAMPBELL) So it sounds like you are agreeing with me.

You had formed the opinion on January 8th that

DenSco did not have to disclose, pursuant to its fiduciary duties, until more facts and circumstances were gathered down the road?

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

(The requested portion of the record was read.)

MR. DeWULF: Object to form.

THE WITNESS: Based on the information on January 8th, it was going to require disclosure, but we didn't have the information to disclose to define the extent of the problem.

Q. (BY MR. CAMPBELL) Okay. You don't think the information that Mr. Miller had over 50 clients or, excuse me, that his clients had over 50 loans that were double-escrowed, double-liened with Mr. Menaged, was by itself a fact that had to be disclosed to investors?

MR. DeWULF: Object to form.

THE WITNESS: Denny had said that that list is wrong, and that there were -- you know, the list was wrong and that a lot of these have been resolved or the other lenders don't have the right, and I needed to get more information.

Q. (BY MR. CAMPBELL) You do not think that the fact that Mr. Menaged's cousin took monies that were wired directly to them from DenSco and stole them is a material fact that investors had the right to immediately know

because of DenSco's fiduciary duties to the investor?

MR. DeWULF: Object to form.

THE WITNESS: What I knew at that time, no.

Q. (BY MR. CAMPBELL) You met with Mr. Menaged and Mr. Chittick on January 9th?

A. Yes. What number are you at? I'm sorry.

Q. What's your independent recollection of what happened at that meeting?

A. It was a very eye-opening experience. Previously Denny had been a very reasonable, sound business person, considered all the facts and made -- made sound business decisions.

He was being deferential to Menaged. Menaged was being aggressive and using language that normally Denny wouldn't tolerate in his presence. Denny looked to Menaged at times if he could talk and -- or making a statement, would turn to Menaged and say: You agree with that?

I had never, ever seen Denny act that way before, which caused me a lot of concern and caused several of the conversations that I had with Denny.

And in terms of the plan they had, Menaged represented he was going to make everything right. He was worth, you know, 10, $20 million. This -- we are going to take care of it, and your, DenSco's investors are not

going to be hurt at all. We have got to get it cleaned up.

Q. Is that all you remember about the meeting?

A. Bits and pieces, but those were the -- the key, key thoughts that I had.

And then they -- I asked questions about the plan from Denny's email, but I didn't want to show it there at the meeting, and then finally Scott said he has already seen it.

Q. I'm sorry. Your voice dropped.

A. Then Scott Menaged said, "Oh, it doesn't matter. You can bring it out. I have already seen the email," which I was shocked about.

Q. Have you told me everything now you can remember about the meeting?

A. I had a separate conversation with Denny before he left about even if Menaged is going to make this thing right and everything, you know, you can't take any money. You need -- we need to get this disclosure done to the investors so that they know what's going on.

Q. Okay. I thought you had told him that in December, too.

A. Well, I -- I had said in December, but that was a very -- that was a relatively brief phone call, because he was rushed to do something. I said we need to get the

facts and understand this, so -- because we need to disclose this to your investors.

Q. All right. Have you told me now everything, based on your independent recollection, you can recall?

A. Yeah, based on what I recall right now off the top of my head.

Q. All right. Let's turn to Exhibit No. 145.

And these are your handwritten notes of your meeting with Chittick and Menaged on January 9th, 2014, right?

A. Yes.

Q. Let's see what you wrote down. You have a note saying "put cousin in charge."

Do you see that?

A. Yes.

Q. Did you ever do anything to investigate this cousin's story?

A. Chittick said he had investigated it. At one point in time I asked how he had investigated it, and he referenced telecompanies or something, people that he had checked with to verify it, and it seemed very logical, but I did not go beyond that.

Q. Did you ever get the recorded documents filed with the County Recorder with respect to the properties to see whether Mr. Menaged has signed all the deeds of trust?

A. That seemed to be a futile effort because Menaged admitted the cousin put documents in front of him, and he signed and then ran to be with his wife, and so they did have his signature.

Q. You understand they were notarized?

A. Well, a recorded deed of trust, it has to be.

Q. You work with notaries, don't you?

A. Yes.

Q. What do notaries do when they notarize a signature?

A. They have to verify the ID of the person signing it.

Q. Did you look who notarized the signatures of Mr. Menaged on any of the recorded documents?

MR. DeWULF: Object to form.

THE WITNESS: As I have indicated, Menaged admitted he signed them all. So it was not at the point where, you know, to pull them to see who notarized them, because he admitted he did sign them.

Q. (BY MR. CAMPBELL) So you knew at the meeting on January 9th that Menaged had signed the deeds of trust for all the lenders in front of a notary?

A. I didn't ask him the question if it was in front of a notary, but he admitted he had signed them.

Q. But he had told you he had signed all the

documents?

A. That is correct.

Q. Did that in any way raise a question in your mind about the truthfulness of his story?

A. I have a lot of clients where the signature for the companies, and I know for a fact they don't read everything that's put in front of them to sign if one of the other officers puts it in front of them to sign. So it did not raise a flag because the story sounded completely plausible.

Q. DenSco had a fiduciary duty of diligence to its investors. True?

MR. DeWULF: Object to form.

THE WITNESS: It had a fiduciary duty to use sound business judgment in doing the loans, yes.

Q. (BY MR. CAMPBELL) It had a fiduciary duty to its investors to be diligent with respect to its investors' interests. True?

MR. DeWULF: Object to form.

THE WITNESS: It had a general fiduciary duty to act as a reasonable, prudent business person with -- with respect to the loans.

Q. (BY MR. CAMPBELL) With respect to your representation of a corporation which has fiduciary duties to its investors, do you believe you satisfied the

standard of care for attorneys in the investigation you did of Mr. Menaged?

MR. DeWULF: Object to form.

THE WITNESS: From the very beginning of DenSco's operations, based upon my history with him and based upon his, whatever, nine, ten years before of his lending, he always did his own loan documents for any of the loans that he did or to remodelers or whatever you want -- people that buy at the foreclosure sales. He always did that, took care of it, and -- and I had seen that hundreds, maybe even thousands of loans have been processed properly.

Q. (BY MR. CAMPBELL) Sir, your client has come to you and just told you with Mr. Menaged they have been defrauded, right, by Scott's cousin?

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) That's what you learned at this meeting on January 9th. True?

A. It was confirmed at the January 9th meeting from the email that he had sent to me immediately prior.

Q. In your handwritten notes on Exhibit 145, I see you have a note it happened to about 100 to 125 properties.

A. Correct.

Q. So that's -- I think Mr. Miller had about 50

properties. There is another 50 to 75 also out there, correct?

MR. DeWULF: Object to form.

THE WITNESS: Those were the facts that Denny and Menaged were saying at the meeting, but it was expressed several times during the meeting that they needed to confirm things and get a handle on things with respect to this. And so that was their -- that was the estimate that was given to me. And the dollar value, because I asked for dollar value, and they couldn't give it to me.

Q. (BY MR. CAMPBELL) All right. So let's see if I'm clear.

You have got the 50 loans from Mr. Miller. You have got another 50 to 75 of other properties that you wrote down in your own handwriting. You have been told that a cousin in Menaged's shop has taken the money and stolen it.

Are you at a point now where you believe there is a material fact you need to tell the investors pursuant to DenSco's fiduciary duty to its investors?

MR. DeWULF: Object to form.

THE WITNESS: That's why I told Denny he could not take any more money or rollover money without doing disclosure to investors.

Q. (BY MR. CAMPBELL) Under the fiduciary duties DenSco owed to the investors, do they have a fiduciary duty to tell them, without regard as whether they are raising any money or not?

MR. DeWULF: Object to form.

THE WITNESS: There is an obligation to tell the investors, but that obligation, if the money is already invested, that is not -- that's a continuing matter and you have to get all the necessary information and basically what is going to be the effect on your note, as opposed to "We have this problem, don't invest." And so there is a different standard there.

Q. (BY MR. CAMPBELL) Just so I'm clear, Mr. Beauchamp, you never advised Mr. Chittick on January 9th, 2014, that he had to immediately disclose to his investors this fraud pursuant to the fiduciary duties DenSco owed the investors?

MR. DeWULF: Object to form.

THE WITNESS: I said this has to be disclosed to your investors.

Q. (BY MR. CAMPBELL) Right now. True?

A. Denny understood that from past issues with the press releases that Insight had sent out, and -- and specifically here it was described: We need to get the facts, we need to do a write-up, and you need to get this

to your investors, and any new money, you can't take anything until you describe what has gone on.

Q. I want you to focus on fiduciary duties, Mr. Beauchamp.

Did you advise Mr. Chittick on January 9th, 2014, that pursuant to the fiduciary duties DenSco had to its investors, he had to disclose to them right now about the fraud, what the cousin had done, and that there were 100 and 125 properties affected?

Did you advise him that or did you not?

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

(The requested portion of the record was read.)

MR. DeWULF: Object to form.

THE WITNESS: I did tell him that had to be disclosed. I did tell him that at this point it appears to be material, it's got to be disclosed, and we need to get something out to the investors.

Q. (BY MR. CAMPBELL) Right now, correct? You told him that?

MR. DeWULF: Object to form.

THE WITNESS: I don't remember if I used the word "right now" or if I used the word "immediately." I did convey it as it was an imminent obligation.

Q. (BY MR. CAMPBELL) All right. And you understand that Mr. Chittick did not do that. He did not

questions don't really fit in that category, but with that -- with that kind of a background, do the best you can, David, with the questions. Make sure if you -- if you can answer yes or no, try to do that. If you can't, tell him that.

Q. (BY MR. CAMPBELL) My question was, you do not, in your email of January 9th, 2014, responding to Mr. Chittick, tell him, "Hand the money to the trustee. Don't wire it to Menaged." True?

A. True.

Q. Now, do you recall bringing a real estate lawyer on to this case?

A. When you say case, matter, can you be more defined, please?

Q. You know how when you were worried about the $50 million in lending, you went to other lawyers in your firm to get assistance?

A. Correct.

Q. With respect to the problem that DenSco was having from January 9th and with respect to the email you got on how he is wiring money, do you recall reaching out to another lawyer in your firm who was an expert in real estate to help you?

MR. DeWULF: Object to form.

THE WITNESS: I -- I remember reaching out to a

couple different people in the firm.

Q. (BY MR. CAMPBELL) Tell me who you remember.

A. Bob Anderson in the Phoenix office, I talked to him. I also reached out to Jeff Van Winkle in terms of who he thought I should talk to in the firm with respect to it. And I probably reached out to one of the administrative people in charge of the corporate section.

Q. All right. Robert Anderson is an expert in real estate transactions. True?

A. Correct.

Q. Why were you bringing Mr. Anderson as an expert in real estate transactions into the case?

A. Maybe I misunderstood the question. I thought you were asking in terms of the issues when there was a problem, when we were talking about the forbearance.

Were you implying to a different part of this case or a different aspect?

Q. Here, let's go about it this way. Turn to Exhibit No. 6.

Exhibit No. 6 is your -- it's the bill that went out in February 2014 and it has January time entries on it. I want you to look at Clark Hill Bates stamp 2315. And I want you to look at the January 17th, 2014 billing entries.

A. What date was that?

Q. January 17.

A. Okay. It's the highlighted entry. Okay.

Q. Yeah. I want you to look at the one below that, which is the one for Mr. Schenck. And it says: Attorney conference regarding procedures with Bob, B. Anderson. Attorney conference with D. Beauchamp recording same.

And if you look above it, Mr. Anderson says: Meeting with David Schenck regarding history of loans and fraud; review letter from Bryan Cave and documents.

Now, why was -- what was your understanding of why Mr. Schenck and Mr. Anderson had that meeting and what was Mr. Anderson tasked to do?

MR. DeWULF: Object to form.

THE WITNESS: January 17th, I had gone to Daniel for assistance in connection with this matter. And I don't remember if he asked me, he wanted to reach out with some of the real estate questions to Bob Anderson or if he just did it. Given what we were dealing with, he had the authority to do that.

And he met with Bob to deal with, you know, discussion and to verify -- well, it's not stated here, but their discussion centered on my suggested approach to deal with a Forbearance Agreement.

Q. (BY MR. CAMPBELL) Did you bring Mr. Anderson in to help answer the question from Mr. Chittick, why can't I

keep wiring the money to Mr. Menaged?

A. I don't specifically remember that.

Q. Turn to Exhibit No. 52.

Exhibit No. 52 on the top is an email from you to Lindsay Stringer.

She is your secretary?

A. She was.

Q. All right. Is she gone now?

A. Yeah. She followed her husband to a job promotion to California.

Q. So it's an email to her, copy to Mr. Schenck.

You remember this email?

A. No, I didn't remember it until seeing it now.

Q. You see in the second paragraph, you say, "Dan: We also need to talk to Bob Anderson about the procedures used by DenSco to refute research from Bob Miller or to change DenSco's procedures."

Do you see that?

A. Correct.

Q. One of the reasons Mr. Anderson was brought on board was to look at DenSco's procedures and to determine whether you should recommend DenSco change its procedures. True?

A. Not exactly as you stated it.

Q. All right. Let me reframe the question.

You told Mr. Schenck in part to talk to Bob Anderson about the procedures used by DenSco. True?

A. Correct.

Q. And you ask Mr. Schenck in part to talk to Mr. Anderson about whether to recommend a change to DenSco's procedures. True?

A. It was more complicated than that.

Q. So you can't -- you can't answer that yes or no?

A. I can't, no.

Q. Look at Exhibit 53. 53 is an email that you write to Mr. Anderson on January 17th, 2014.

Do you see that?

A. Correct.

Q. And you tell Mr. Anderson, "Attached is the demand letter from Bryan Cave asserting the claim from the other lenders. If this claim has any merit, we need to advise DenSco to change its internal procedures."

Did I read that correctly?

A. Correct.

Q. You asked Mr. Anderson to review the claim from Bryan Cave and to let you know whether Clark Hill needed to advise DenSco to change its internal procedures. True?

MR. DeWULF: Could I have that back, please.

(The requested portion of the record was read.)

THE WITNESS: True, but there was more to it

than that.

Q. (BY MR. CAMPBELL) And one of the internal procedures that Mr. Chittick was seeking advice on was how he funded the loans, that he funded them 90 percent of the time by wiring the money to the borrower. True?

A. You need to restate it, because it's not going to be correct either way I answer it.

Q. You cannot answer it yes or no?

A. I cannot answer it yes or no.

Q. That's fine.

You would agree that Mr. Chittick asked you for advice in his email as to how he should fund loans, the procedures for it. True?

A. He asked me to reexamine the issue because he wasn't happy with my answer.

Q. All right. In that email that he sent you, in the emails we have looked at with respect to Mr. Anderson, the real estate expert in your firm, there is not one word you write about let's tell Mr. Chittick to give the money directly to the trustee, not to Menaged. True?

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

(The requested portion of the record was read.)

MR. DeWULF: Object to form.

THE WITNESS: There was not an email.

Q. (BY MR. CAMPBELL) In fact, you cannot point me

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,

have you read Mr. Anderson's deposition?

A. No.

Q. Have you read Mr. Schenck's deposition?

A. No.

Q. Have you seen any summaries of their depositions?

A. No.

Q. Turn to Exhibit No. 62. Again, this is just for purposes of refreshing your recollection. It may or may not. But here is another appointment note from Mr. Anderson. He is scheduling time for DenSco loan document review.

Does that refresh your memory on anything else with respect to this issue?

A. I have not seen this before, and it would be about the appropriate time when we were trying to get the answer to DenSco, but I thought it was -- it could have been done before this, but that makes sense.

Q. Turn to Exhibit No. 73.

Exhibit 73 is another appointment, again, Mr. Anderson. This is February 12th, and the subject is DenSco memo.

Did you ever learn that Mr. Anderson was preparing a memorandum to give to Mr. Chittick regarding proper loan procedures?

A. Probably not until I reviewed the billing.

Q. Okay. Is it your recollection that Mr. Anderson was going to prepare a memo to Mr. Chittick regarding the proper loan procedures?

A. I don't know exactly how he was going to convey the information. I left that up to him and Daniel.

Q. Okay. Turn to Exhibit No. 78.

Have you seen Exhibit No. 78 before?

A. I believe so.

Q. And what's your -- when did you see Exhibit No. 78?

A. I don't recall if I saw it in early 2014, but I did see it in connection with documents to review for today.

Q. Did you ever transmit this document to Mr. Chittick?

A. I was under the impression it had been transmitted to him.

Q. Did you transmit it?

A. I don't know if I transmitted it.

Q. This document doesn't have anything about funding, how you fund the loan, how you get the money down there, do you give it to the borrower, do you give it to the trustee.

Have you ever seen a memorandum on that issue?

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

Q. Okay. What was the other part?

A. The other part was Mr. Chittick stated unequivocally that not all those loans should be subordinated. I was prior in time, I had right, and he wants all of them subordinated, and I'm not willing to do that.

Q. At the end of the day, was there any loan that DenSco took ahead of Mr. Miller's clients?

MR. DeWULF: Object to form.

THE WITNESS: I -- I was not involved with the payoffs on the loans and the procedures that were handled in connection with the payoff of the other loans or upon the sale of the loan to know exactly what transpired with that.

I do know that Mr. Menaged was supposed to be providing outside capital from his other companies to cover some of that, and at one point I was told there might be a two- to three-day delay with that, while everything is held by the telecompany, but that was just one reference at one time.

Q. (BY MR. CAMPBELL) Here, let's turn to Exhibit No. 97.

So Exhibit 97, 97 is -- it looks like they are agreements. And actually if you go through and look at the copy, they are all signed.

But is this the -- are these the Forbearance Agreement documents that you worked on in this case?

A. I believe so.

Q. All right. And just to look at a few things in it --

A. The chain of custody at the end is not.

Q. Okay. Turn to Bates stamp 10787.

And you see Exhibit A is Lender Loans and Encumbered Properties?

A. I see the title, yes.

Q. All right. And what is this list of loans?

A. I would have to refer back on the Forbearance Agreements to understand the reference.

It's -- according to Recital A, that's supposed to be the loans a borrower is indebted to the lender, and the lender would be DenSco.

Q. And are these loans that have double escrow or -- I call it double escrow, I mean double-lien problems?

A. I'm not seeing the precise language, if it was a subset of those or if it was all of them.

Q. Well, explain to me, Mr. Beauchamp, how this Forbearance Agreement was supposed to work.

MR. DeWULF: Object to form.

THE WITNESS: We are going to be here until

8:00 o'clock tonight.

Q. (BY MR. CAMPBELL) Who was going to -- with respect to the -- with respect to the loans that had two liens on them, who was going to get paid off first?

MR. DeWULF: Object to form.

THE WITNESS: That was left to the discretion of Denny Chittick within the guidelines established here.

Q. (BY MR. CAMPBELL) Well, Mr. Miller had asked for a Subordination Agreement, correct?

A. Correct.

Q. Was his clients' loans paid off upon the sale of the properties that his clients had liens on?

MR. DeWULF: Object to form.

THE WITNESS: I can't answer that yes or no because there is an additional circumstance.

Can I clarify?

Q. (BY MR. CAMPBELL) Not yet.

Was Mr. Miller's clients paid from the proceeds of the properties that were sold that he had liens on?

A. Same issue.

Q. Tell me what the issue is.

A. Some of those loans were paid off in connection with other closings and not upon the sale of that actual property.

Q. So he may have been paid off from proceeds from

the sale of another property that he didn't have an interest in?

A. Correct.

Q. But basically Mr. Miller's clients were guaranteed that they were going to be paid off on their loans from proceeds of the sale of the properties. True?

MR. DeWULF: Object to form.

THE WITNESS: That was my understanding.

Q. (BY MR. CAMPBELL) And that DenSco would be looked to be paid for after that. True?

MR. DeWULF: Object to form.

THE WITNESS: It varied on the property and the procedure, but that, in essence, it would -- it would in fact, depending upon the additional equity that Menaged brought, Menaged was supposed to bring in and all the other requirements.

Q. (BY MR. CAMPBELL) All right. But basically Mr. Miller got out of this; and why they didn't sue was they in effect knew they were going to get paid first out of the proceeds of the sale, right?

MR. DeWULF: Object to form.

THE WITNESS: Very close, but not exactly, yes.

Q. (BY MR. CAMPBELL) And DenSco made some agreements, for example, that it would go up to high loan-to-value ratios on some of the remaining properties,

Q. (BY MR. CAMPBELL) My question was a yes-or-no question, a true-or-false question. If you can't answer it, tell me you cannot answer it.

A. I can't answer it the way you have worded it.

Q. Turn to Exhibit No. 350.

Again, these are emails between you and Mr. Chittick?

A. Yes.

Q. So --

A. I believe this email continues beyond at the bottom of page 2.

Q. Mr. Chittick, this is in February 2014, he does not want to go and tell the investors what's happening. True?

MR. DeWULF: Object to form.

THE WITNESS: I don't believe I have the full email from the original that was sent to Denny.

Q. (BY MR. CAMPBELL) I'm not referring to the email. I'm just -- step outside the email for a second.

Mr. Chittick was worried if he told the investors, that there would be a run on the bank and it would be a Mortgages Limited situation. True?

MR. DeWULF: Object to form.

THE WITNESS: He -- he was told that I believe by, you know, Menaged, or the statement was made by

Menaged in our meeting.

Q. (BY MR. CAMPBELL) Okay. But he didn't want to tell the investors because he was worried there would be a run on the bank, there would be a big lawsuit and the business would be dead. True?

MR. DeWULF: Object to form.

THE WITNESS: It's -- it's not as black and white as you are portraying it.

Q. (BY MR. CAMPBELL) He wanted the forbearance -- he wanted delay doing a disclosure so you could get this Forbearance Agreement so he can try and soften the disclosure he was going to make to the investors at the end of the day.

MR. DeWULF: Object to form.

THE WITNESS: I really cannot say what his mind set was.

Q. (BY MR. CAMPBELL) He never said that to you?

A. Denny said a lot of things that he later clarified when we were on the phone. So he -- he wanted it done for all kinds of reasons, and to be able to show his investors that he had, you know, a feasible means where he is getting in additional money and they are working it out, it's going to get resolved, yeah, that was important to him, but that's also an important thing to any lender.

Q. You know, I get confused sometimes by your answers.

Are you telling me that the impression you had from Mr. Chittick when you were working with him in January, February, March and April of 2016, is that he wanted to tell his investors about this problem with Menaged?

A. He knew he had to tell the investors about the problem with Menaged. He understood and acknowledged that to me, but he wanted to have sufficient information to show them how they were going to work out of it and get it resolved.

Q. Right. Because he wanted -- when he made the disclosure, he wanted to be able to say this is bad, but I have fixed all of this and you are going to get your money, right?

MR. DeWULF: Object to form.

THE WITNESS: I -- I can't say what was in his mind with respect to that. He knew he had to disclose and he wanted to be able to show them that here is a plan, we are going to resolve it, and this is what's going to happen so we can, you know, protect your investments.

And that was -- so long as he was telling the investors separately and said, yeah, we are working on the problem, we are working on the problem, to put something

in writing. Because that was going to be a new POM. That wasn't going to be an amendment. There is a different disclosure there.

And a new POM states everything to the day. It is a complete independent document. An amendment takes and just changes sections of the earlier one, and I had offered to do that, to do an amendment, and he didn't want to do it. He wanted a new POM. And there is a different disclosure requirement.

Q. (BY MR. CAMPBELL) You never drafted a new POM.

A. I'm sorry?

Q. You never drafted a new POM in 2014. Isn't that true?

A. That's not true.

Q. The only POM I have seen is the old POM that has additional things added to it.

Is there some other document I don't know about?

A. The POM that I gave to Denny had questions, had sections changed, and we needed to get the information from him to plug in at the various points, and then we did describe the Forbearance Agreement.

Q. Every POM I have seen in this case, David, you take the last one, you put a new date on it, and then maybe you change some of the stuff in it.

When you say you did a completely new POM, did

If he has got a question, you can answer it.

Q. (BY MR. CAMPBELL) All right. Let's go to your Exhibit 422, which is your answers to interrogatories, and I want to go to page 6.

Okay. Are you with me?

A. Yes.

Q. And you say in your answers to interrogatories, "Mr. Beauchamp prepared all of DenSco's offering documents including the POMs and investor notes, also reviewed and commented on the promissory notes from borrowers, deeds of trusts, mortgages and guaranties, all of which disclosed to DenSco's investors the processes and procedures that DenSco used to protect the investments made in the company."

Is that a true statement?

A. Yes, it is. We looked at his forms of promissory notes to use with borrowers, deeds of trusts, mortgages, guaranties, not on individual loans.

Q. All right. Look down at page 17 and 19. Every mortgage -- line 17 and 19 on page 6.

A. Oh, I'm sorry.

Q. "Every mortgage evidencing a property purchase made with a DenSco loan stated that the check purchasing the property was made to the Trustee."

True statement?

A. The sample mortgages that we have, that was true.

Q. All right. So every time he wired money directly to Menaged, he violated the mortgage document that you had reviewed and commented on?

MR. DeWULF: Object to form.

THE WITNESS: The mortgage documents that I saw pertaining to Menaged, still had the language in it.

Q. (BY MR. CAMPBELL) My question was, every time he wired money directly to Menaged, he violated the mortgage documents that you had commented upon and reviewed?

MR. DeWULF: Object to form.

THE WITNESS: I -- I cannot say that with respect to everyone.

Q. (BY MR. CAMPBELL) All right. Could we turn to Exhibit No. 51. That's going to be in Volume 1.

And we have looked at this earlier today, right?

A. I'm not sure I have the -- you said 51?

Q. 51.

A. Does that start with just the words at the top, "take it to the trustee and receive the receipt"?

Q. Exhibit 51 is the email from Mr. Chittick to you on January 7th.

A. I don't have the first page. Here, I will show

you what I have.

Q. Okay. That's fine.

What happened to it?

A. I wasn't hungry. I swear.

Q. Why don't you look -- on the second page Mr. Menaged says, when he is telling you about this whole problem with the Menaged.

A. What number on the very bottom?

Q. 5791.

A. I don't have that.

Q. Okay. I'm going to read it to you and then I will show you.

"(all docs you have reviewed and have been reviewed by a guy at your last law firm, maybe two firms ago in 2007)."

Do you remember reading that?

A. Yeah, I remember reading that.

Q. Do you recall that Mr. Chittick thought he might have a claim because all the documents were reviewed by you and whatever law firms that you were at?

MR. DeWULF: Object to form.

THE WITNESS: I have no idea what he had contemplated.

Q. (BY MR. CAMPBELL) Okay. Let's look at Exhibit 21. And I want you to turn, it's his notes on

January 10th.

And look at the last sentence in that, his note, his journal for that day: The one thing that is helping us is the procedure that I follow to fund the properties, was blessed by the attorney's right hand man that is threatening me. He's now worried I can come after his law firm for damages. I just know I rather have control of the properties in a worse loan to value than have them wrapped up in lawsuits.

Did he ever express to you that what he was doing was blessed by the attorneys, on or about January 10th --

MR. DeWULF: Object to form.

Q. (BY MR. CAMPBELL) -- 2014?

MR. DeWULF: I'm sorry. Object to form.

THE WITNESS: I'm not sure what -- what he means by this. I mean, this is his log and what he is writing. And "blessed by the attorney's right hand man that is threatening me," I'm -- I'm not sure what his intent, what he was trying to say.

Q. (BY MR. CAMPBELL) Did you ever have a concern at the beginning of this problem with Menaged that Mr. Chittick might decide to just sue you and firms you were at because you had blessed the procedures in your representation of him?

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

(The requested portion of the record was read.)

THE WITNESS: No, that never crossed my mind.

Q. (BY MR. CAMPBELL) You told Mr. Miller at Bryan Cave that he had a conflict of interest, right?

A. That is correct.

Q. And you told Mr. Miller at Bryan and Cave that he had to get a conflict waiver and that you had to get a conflict waiver?

A. Yeah, but that -- that was on the advice of ethics counsel to be extra cautious.

MR. DeWULF: Don't -- don't disclose what --

THE WITNESS: Okay.

MR. DeWULF: -- ethics counsel tells you. Just try to answer the question without that.

Q. (BY MR. CAMPBELL) Let's turn to Exhibit 184, okay? 184 is going to be in Volume 4.

184 is an email from you to Mr. Miller dated January 16th, 2014. So that's going to be the email. And part of it is going to be things in italics that are written by Mr. Miller, if you see at the top. Okay?

A. Yes.

Q. All right. So in your email to him on the third line, you say, "I disagree with your email, because I have told you the basis for the potential conflict," and you

like to get through this so we can all get home, but if you can't answer it yes or no, tell me.

Turn to Exhibit 206.

A. 206 or 213?

Q. 206.

A. I'm sorry.

Q. I am going to get to 213, but we will work our way there.

Exhibit 206 is an email from Ms. Heuer to you on August 1st, 2016. She is sending you an attachment called investors doc.

Do you see that?

A. Yeah.

Q. And Shawna says: Here is the investor letter he wrote, edited, wanted to send out, changed his mind and asked me not to give it to anyone but you.

Do you recall that it was on August 1, 2016, that you got the investor letter?

A. Based on the information here, yeah, it was August 1. I know I did not -- she asked me, "Can you read before we meet today," and I wasn't able to.

Q. All right. But you had it, correct, on August 1, 2016?

A. According to what it says here, it was attached to this, yes.

Q. Let's turn to 207. These are your handwritten notes of a meeting with Shawna Heuer, Robert Koehler, yourself, and there is a name here, Helen.

Who is Helen?

A. That was the friend of Shawna's who came with her for this, because she was so totally shook up.

Q. All right. And this was a meeting at your office?

A. Yes.

Q. On 8/1/2016?

A. Yes.

Q. And these are your notes of it, correct?

A. Yes.

Q. One. Things you write: Shawna, accountant works with communication with investors.

Do you see that?

A. Yes. I had never met her before.

Q. You have a note here about the investor letter. You say: Shawna sent last night to investors.

So that's the short letter about Mr. Chittick's death?

A. Correct.

Q. And then you have down at the bottom: Wednesday communication, DGB to do, right?

So you are the one that's going to draft a

communication to the investors. Am I right?

A. Yes. That's what she specifically asked, yes.

Q. All right. And it looks like you were writing some of it or you were discussing the things that should be in the letter, and you say: A plan is being formulated, right?

A. Yes.

Q. Probate files so Shawna will be appointed to be personal rep and in control of DenSco stock, right?

A. Yes.

Q. Shawna will conduct a shareholder meeting and have, correct?

A. Yes.

Q. You say: Trying to maximize return to investors, right?

A. Yes.

Q. Plan to have an advisory board of five investors to work with each -- with work and advise Shawna?

A. Yes.

Q. Okay. All right. And do you remember -- well, here, let's move on.

Exhibit 208 is an -- is not an email, but it was instructions to Robert, and my only question is, did you see this?

A. I don't -- I don't remember seeing it. It could

And, again, these are your notes on August 3rd. It looks like you are starting to get calls from different investors, right?

A. Yes.

Q. And you are keeping notes of these so you can keep track of who the investors are that are calling you, correct?

A. Correct. I'm trying.

Q. Exhibit 213 is an email you sent on August 3rd, 2016, to the DenSco investors, right?

A. Correct.

Q. And -- and so this is the first communication and you drafted this, right?

A. Initial draft, based on the outline she had given me.

Q. All right.

A. She and Robert, I should say. I'm sorry.

Q. Let me go just through this and see if I have any particular questions.

So one of the things you were telling the investors is that there might be a problem with good loans and bad loans, right, or maybe you call them troubled loans?

A. I -- yeah, there was an issue that Robert had indicated that they needed to analyze the outstanding

loans, because he thought there was a problem.

Q. All right. Let's go to paragraph 3 on the next page.

You state that the problem with DenSco's Troubled Loans developed over time and it will take some time to understand those Troubled Loans.

Do you see that?

A. Yes.

Q. You don't tell them anything about the Menaged fraud in 2013/2014. True?

MR. DeWULF: Object to form.

THE WITNESS: At this point in time, I didn't know if that had been resolved or not.

Q. (BY MR. CAMPBELL) Listen to my question and please just answer it yes or no. If you can't answer it, say you can't answer it.

You do not state in that letter what you knew about the Menaged fraud in 2013/2014. True?

MR. DeWULF: Object to form.

THE WITNESS: Let me read the whole thing.

In the paragraph at the top of page 2, I do reference there are also claims that DenSco has against either Auction.com or Scott Menaged or some other parties that we need to better understand.

So I referenced that there was an outstanding

issue there, but I have not come across anything with regard to the Forbearance Agreement, et cetera.

Q. (BY MR. CAMPBELL) All right. You don't mention that the other parties might include Clark Hill, right?

MR. DeWULF: Object to form.

THE WITNESS: No, I did not put that in there, as far as I can tell, but I have only gone through part of the email.

Q. (BY MR. CAMPBELL) Let's go back to the third paragraph. In the middle of that you state that: Whoever is in charge of DenSco does not work with the Investors, then DenSco will either be put into bankruptcy or have a Receiver appointed, which will incur costs on behalf of the Investors and DenSco that will significantly reduce what will be available to return to the Investors. For example, one of the recent reports concerning liquidation of companies owing money to investors indicated that the costs associated with such a bankruptcy or Receiver can reduce the amount to be paid by investors by almost half or even a much more significant reduction.

Did you write that?

A. Based upon input, and then it was revised by Shawna.

Q. And the intent of that comment is to try and keep DenSco from going into bankruptcy or having a

receiver appointed. True?

MR. DeWULF: Object to form.

THE WITNESS: What Shawna told me was the intent, that why she wanted this was she did not want somebody to file a bankruptcy until we got at least a 30,000-foot review of DenSco.

Q. (BY MR. CAMPBELL) All right. And it had the collateral benefit of keeping a receiver from being appointed who might sue Clark Hill, right?

MR. DeWULF: Object to form. I'm objecting to this insinuation. It's late in the day. You keep making these insulting kinds of questions. You have asked that question three separate times. It's just beyond -- it's beyond the pale at this point.

MR. CAMPBELL: We are seeking punitive damages in this case, and what Clark Hill did in this case is beyond the pale, John.

MR. DeWULF: It isn't. And, you know, you can ask all you want. You have asked this question in multiple ways. It's late.

MR. CAMPBELL: Can you read my question --

MR. DeWULF: Try to answer the questions if you can.

MR. CAMPBELL: Can you read my question so he can answer it.

(The requested portion of the record was read.)

MR. DeWULF: Object to form.

THE WITNESS: When this was prepared, that -- that thought did not cross my mind.

Q. (BY MR. CAMPBELL) Let's turn to Exhibit 216. And just to get it in our timeframe, this is the probate petition for letters of -- for the appointment of a personal representative for Mr. Chittick's estate.

A. Correct.

Q. So it's filed on August 4th, and Clark Hill is representing the petitioner, right?

A. And we resigned immediately after this.

Q. Right.

And this was the issue you said you had a discussion with her about the conflict of interest and she waived it. True?

MR. DeWULF: Object to form.

THE WITNESS: I had the discussion, Michelle Tran had the discussion, and, yeah, that was one of the several conversations.

Q. (BY MR. CAMPBELL) Okay. Go to Exhibit No. 217. This is August 4th. There is a letter attached from Wendy Coy, which indicates, she thanks you for speaking with us.

Did you have a conversation with Ms. Coy on August 4th?

Exhibit No. 7

DenSco / 2007 offering

Mtg w/ Denny Chittick (5/3/07)

— Prior Performance → need to update

— Business Section → need to distinguish Bus Plan from sub-prime lending

p17 — Line of Credit → has been changed to Reg A to $1M equity line — not a personal line

need to update & leave open for possible changes

— Short Term Loans
  — allowed to pass through higher interest
  — allowed to pass through costs for "unused line" concept

— $25,000,000 — move to $50 MM
  — 90% of notes are 2 year notes

p10 — Status of Defaults —

— Have Accountant Review Tax Section

Add to Risk Factor & Description

(1) — Contingency Plan → hit by a bus

— End of Month → statement to each investor
→ copy also goes to Robert Koehler who will
→
— collect money & pay back investors
— pay back investors in what order
— intent to pay off the first investor loans coming due & pay off your By At time

→ (p 36)

(2) P (iii) → FN (1) → additional increments of a minimum of at least $10,000

(3) Note — change penalty provision → Deanna to check
— 10% of interest due
— interest goes to 29%

(4) Add Cross-Default language to Note & DOT

5

Limited Experience

↳ delete this → simply references that Denny has experience of ____ loans — but no assurance that Denny has experienced every kind of issue that can arise

MG → of all sub

Rich Carney → will continue to do the Blue Sky work

Accredited Investor

→ check language

→ Trust — confirm Revocable / Irrevocable distinguish

→ Retainer

— DGB to send 1st red-line draft

Exhibit No. 8

DenSco / 2007 Offering

TCW Denny Clifford (6/1/07) 602-469-3001

- good to go w/ the POM → only changed #'s for 2007
- Denny happy to go with the POM
- Denny has County Recorder reject 2 Receipts + Mortgage + County Atty is trying to determine how this can be done

TCW Denny Clifford (6/1/07)

change → date in lower right ~~footer~~ Footer → should not be 5/21/07 when POM is dated 6/1/07

Exhibit No. 9

DenSco / 2009

MY w/ Denny Chittick (4/9/09)

- taken back a lot more properties
  - moved a lot of houses
  - has Rented a lot of properties (1-3 scenario for mkt to turn)

POM

* → Robert Koehler — had baby girl — 2 weeks ago

Loans to:

→ same type of

- concentrating more → but everyone is still less than 10% → due to size of loan pool increasing (40 loans are w/ 5 guys)
  → half dozen — ~~one~~ over a million or more — but

→ need to check — what is maximum % of IRA, etc. investments that can be in trust

DIC0002433

Needs to ~~open~~ open new matter:

DenSco Investment Corporation

Matter ⟶ 2009 Private Offering Memorandum Update

- Relationship – DB
- Orig – DB
- Responsible
- Bill – DB

→ Mike McCoy, Logan Miller + DB to work on file

→ will need to a special engagement letter for this matter

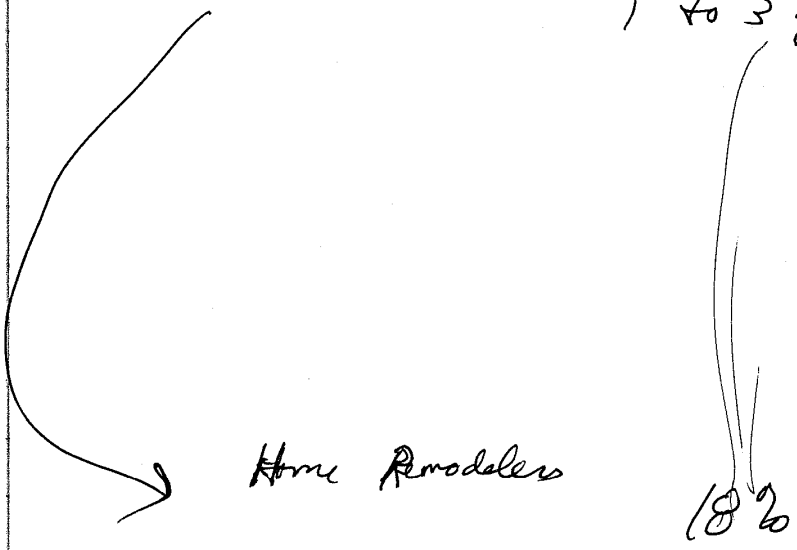
Exhibit No. 10

Den Sco /

Mtg w/ Ray Burgan (4/17/09)

8 – 12 % NOTE

1 to 3 yr basis



(1) — check statutes & Regs

↳ no new requirement for licensing

(2) PPM updates / upgrades

—

—

Exhibit No. 11

Dan Sco/

Tau Denny Chittick (4/30/09)

- status of POM + timing
- change it so we can use Denny's loans through end of June

Exhibit No. 12

Den Sec / 2009 pom

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Monday, July 06, 2009 3:21 PM
To: 'Denny Chittick'
Subject: Confidential PRivate Offering Memorandum
Attachments: QJYDGBDENSCO2009 Confidential Private Offering Memorandum_vDOC.DOC; QJYDGBDENSCO2009 Confidential Private Offering Memorandum_v3.DOC

Denny:

Attached is a clean and a black-line to evidence the changes since the last draft. Under separate cover, I will forward the revised draft Subscription Agreement and the Purchaser Questionnaire as well as the side letter agreement with Robert Koehler.

After you review, please call with questions.

Thanks, David

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(602) 716-8060 | Direct Fax
(602) 319-5602 | Mobile Tel.

Confidential Private Offering Memorandum

DenSco Investment Corporation

~~May __~~,July 1, 2009

~~640728.2~~640728.3

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."

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.

	~~Initial~~ Offering Price (1)	Underwriting Commissions (2)	Proceeds to the Company (3)
Note	**$50,000**	**-0-**	**$50,000**
Total Minimum Offering	**$500,000**	**-0-**	**$480,000**
Offering Maximum	**$50,000,000**	**-0-**	**$49,980,000**

(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) Its 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) ~~Organizational expenses and initial offering~~**Offering** expenses, estimated at $20,000, will be paid from the **Company's general operating** funds ~~raised. [*NOTE: IS THIS CORRECT / APPLICABLE?*]~~.

DenSco Investment Corporation
6132 W. Victoria Place
Chandler, Arizona 85226
602-469-3001
602-532-7737(f)

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 ~~LIMITED PARTNERSHIP INTERESTS~~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 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.

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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. ~~Despite only six~~**In the eight** years of operation**, from April, 2001 through June, 2009,** the Company has engaged in ~~975~~**[ ]** loan transactions. The Company has been and will continue to be engaged primarily in funding purchases of houses through preforeclosure process, foreclosure sales and funding and purchasing construction loans, all of which will be secured by real estate deeds of trust ("Trust Deeds") to Arizona builders of new commercial and residential properties with defined loan-to-value ratios. 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 and a maximum~~**1,000,000.00. The Company intends to maintain a** loan-to-value ratio ~~of~~**below** 70% percent in the aggregate for all loans in the loan portfolio.

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: The Company is offering the first $500,000 in principal amount of Notes on an "all-or-none, best efforts basis" and on a "best efforts" basis with respect to the remaining $49.5 million in principal amount of Notes. In addition to the Company's President's (Denny Chittick) initial capital

contribution to the Company, Mr. Chittick maintains a $1 million investment in the Company at all times. This investment takes the form of Notes. Therefore, depending on the maturity of the Notes currently held by Mr. Chittick, the minimum offering may be met with his investment only. 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 ~~[REVIEW AND UPDATE SECTION]~~

The Company was incorporated in Arizona on April 30, 2001 and is engaged primarily in the business of: ~~(i)~~ funding Foreclosure Specialists, who purchase houses through the preforeclosure process, and at foreclosure sales and ~~(ii) funding and purchasing construction loans secured by real estate deeds of trust ("Trust Deeds") to Arizona builders of commercial and residential construction projects~~**through the REO process 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 $50,000 to $500,000, ~~with~~**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 target loan duration is to last between two to four months and any loans longer than six months ~~is~~**are** structured to require monthly interest payments.

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 $50,000, and the maximum loan size will continue to be

$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, 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.

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 rates, 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 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 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.

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~~**From** Subsequently Issued Notes May Be ~~used~~**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 and visiting the subject property in a timely manner. For purchases of foreclosed homes, the properties are inspected after purchase, before or during rehabilitation and after rehabilitation to insure the property is improved to a marketable condition. The Company will not make residential loans to natural persons for personal, family or household purposes.

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.

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 will be 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. ~~When a property is in foreclosure, the Company will reserve against loan losses to the extent the Company deems necessary. The Company believes that the reserves will be sufficient to protect the Company against project losses. However, the Company cannot guarantee that reserve estimates will be adequate, and project losses in excess of reserves would adversely affect the operations of~~ **The goal of the Company is to recover the principle 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 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.

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 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 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 believes it ~~will~~**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.

~~The~~If new regulations are issued **by the** U.S. Federal Housing Administration ~~previously implemented nationwide restrictions on the issuance of FHA financing for houses being resold within 90 days of its acquisition, including additional appraisal requirements. After some initial disruption to the home loan market, the interpretation of these restrictions was eased. If new regulations are issued~~**(the "FHA")** or if a more strict interpretation of ~~these~~**the current FHA** regulations is implemented in the future, ~~these~~**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 vested. ~~[*CONFIRM CURRENT STATUS OF APPLICABLE FHA REGULATIONS*]~~

Other states in the West 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, it is likely that some of those provisions will become in effect in Arizona either through law or regulation during this offering. The Company's management believes that the Company's practices will not need to change in order to be in compliance with any of the current proposals that may go into effect. However, there can be no assurance that such will be the case.

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 200 approved and qualified borrowers. It is the Company's plan that the base of borrowers eventually will exceed 500 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 relatively short term.

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 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 ~~1,000~~[_____] loans secured by real estate over the last ~~ten~~**twelve (12)** years. As of the date of this Memorandum, Mr. Chittick has experienced ~~only five default requiring initiating foreclosure, and no loans that resulted in principal losses~~**["Mr. Chittick" or "Mr. Chittick and the Company have collectively experienced"] thirty-two (32) loan defaults that required initiating a Trustee's sale process, with five 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.

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 eight year operating history~~;~~ **through June 2009,** the Company has completed in excess of ~~975 [*UPDATE*~~[___] loan transactions. However, even with these number of loans over eight 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.

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 ~~more~~ 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~~to Generate Sufficient Cash Flow ~~To~~to Service ~~The~~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 force 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 Notes [Investor Notes or Loans to Borrowers?] in some cases and only extending the Notes [Investor Notes or Loans to Borrowers?] 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."

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 ~~officers~~**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~~2~~."

No Sinking Fund Provision; Lack of Governmental Insurance

The Notes represent general obligations of the Company and will not be subject to redemption through a sinking 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. 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." ~~[*CONFIRM SECTION*]~~

Proceeds ~~from~~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 Noteholder's ability to gain 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 ~~pass on~~**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 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. 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."

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 ~~Regulation~~Regulations

~~In addition,~~If new regulations are issued **by** the Federal Housing Administration ~~previously implemented nationwide restrictions on the issuance of FHA financing for houses being resold within 90 days of its acquisition. After some initial disruption to the home loan market, the interpretation of these restrictions were eased. If new regulations are issued~~ or if a more strict interpretation of ~~these~~**any of its** regulations is implemented in the future, ~~these~~**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." ~~[*CONFIRM CURRENT STATUS OF APPLICABLE FHA REGULATIONS*]~~

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 30 days' written notice. 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."

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."

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." ~~[CONFIRM SOLE OWNERSHIP]~~

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 ~~affect~~**effect** on the Company's operations.

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~~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~~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.

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~~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 ~~debtor~~**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 ~~debtor~~**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 ~~purchased or~~ 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~~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 ~~debtor~~**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 ~~debtor~~**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~~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 able to obtain the property voluntarily from the ~~debtor~~**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~~May Not Be Consistent ~~with~~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~~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~~Counsel to the Company and ~~its~~Its President ~~does not represent~~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~~Counsel to the Company ~~will represent the interests solely~~Will Represent the Interests Solely of the Company and ~~its~~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, ~~after deducting organizational and offering expenses not expected to exceed $20,000,~~ 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~~**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 .04 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."

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.

	Minimum Amount Raised	*Percent of Offering*	*Target Amount Raised*	*Percent of Offering*
Gross Offering Proceeds	$500,000	100%	$50,000,000	100%
Commissions & Costs (1)	-0-	0%	-0-	0%
Cash Reserve (2)	-0-	0%	-0-	0%
General Business (3)	$20,000	4%	$20,000	.04%
Proceeds Available For Funding/ Purchase of Construction Loans (4)	$480,000	96%	$49,980,000	99.96%

(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. Transaction costs for Notes purchased with qualified funds will be paid by the Company up to one percent (1%) of the principal Note amount.

(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.

(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 ~~organizational and initial~~ 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.

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. ~~From January 2007~~**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. From January 2009** to the end of ~~May 2007~~**June 2009,** there has been an additional ~~$1,070,000.[ ]~~ **raised.** 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 **thirty (**30**)** cities in the Phoenix metro area, which ~~include~~**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 ten percent (10%) of the total portfolio.

All real estate loans funded by the Company have been and ~~will~~**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%.

In 2001, the Company funded 37 loans in its first year of operation. The aggregate amount of these loans totaled $3,378,000, with the value of underlying homes totaling $6,393,000. Of those 37 loans, 15 were repaid in 2001. The repaid loans totaled $1,452,000, with the value of the underlying homes equaling $2,431,000. All interest due from all loans was collected.

In 2002, the Company funded 69 loans in its first full year of operation. The aggregate amount of these loans totaled $5,685,000, with the value of the underlying homes totaling $8,780,000. Of the 69 new loans in 2002 and the remaining unpaid loans from late 2001, 66 were repaid in 2002. These repaid loans totaled $5,267,000, with the value of the underlying homes equaling $9,076,300. All interest due from all loans was collected.

In 2003, the Company funded 124 loans. The aggregate amount of these loans totaled $11,673,000, with the value of the underlying homes totaling $17,530,500. Of the 124 new loans in 2003 and the remaining unpaid loans from late 2002, 106 were repaid in 2003. These repaid loans totaled $9,693,500, with the value of the underlying homes equaling $14,488,500. All interest due from all loans was collected.

In 2004, the Company funded 185 loans. The aggregate amount of these loans totaled $19,907,000, with the value of the underlying homes totaling $30,422,600. Of the 185 new loans in 2004 and the remaining unpaid loans from late 2003, 170 were repaid in 2004. These repaid

loans totaled $17,951,700, with the value of the underlying homes equaling $26,939,500. All interest due from all loans was collected.

In 2005, the Company funded 236 loans. The aggregate amount of these loans totaled $34,955,700, with the value of the underlying homes totaling $50,487,300. Of the 236 new loans in 2005 and the remaining unpaid loans from late 2004, 232 were repaid in 2005. These repaid loans totaled $31,001,940, with the value of the underlying homes equaling $45,111,500. All interest due from all loans was collected.

In 2006, the Company funded 215 loans. The aggregate amount of these loans totaled $34,468,100, with the value of the underlying homes totaling $52,784,000. Of the 215 new loans in 2006 and the remaining unpaid loans from 2005, 212 were repaid in 2006. These repaid loans totaled $35,301,250, with the value of the underlying homes equaling $53,057,200. 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, the Company funded 271 loans. the aggregate amount of these loans totaled $42,269,767, with the value of the underlying homes totaling $65,574,500. Of the 271 new loans in 2007 and the remaining unpaid loans from 2006, 257 were repaid in 2007. these repaid loans totaled $41,424,815, with the value of the underlying homes equaling $65,482,800. One condominium loan, two house loans, and one land loan were foreclosed. While the condominium and houses were sold with minimal principle in total [WHAT IS MEANT HERE?], much of the interest was collected on all four loans. The loss was absorbed by the Company.

In 2008, the Company funded 364 loans. The aggregate amount of these loans totaled $47,329,758, with the value of the underlying homes totaling $77,616,000. Of the 364 new loans in 2008 and the remaining unpaid loans from 2007, 257 were repaid in 2008. Such repaid loans totaled $34,578,755 with the value of the underlying homes equaling $56,255,500. While one condominium and six homes were sold with minimal principle 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.]

From January 1, through ~~May 31, 2007~~**June 30, 2009,** the Company has funded ~~114~~ loans for a total of $~~17,849,950.~~, with the underlying homes valued at $~~28,119,900.~~. There have been ~~99~~ loans repaid in ~~2007~~**2009** for a total of $~~15,794,250.~~, and house values of $~~25,951,800.~~. All loans that have closed have paid all interest due.

~~[*UPDATE FOR MAY 31, 2007 THROUGH PRESENT*]~~

Since inception through ~~April~~**June** 30, 2009, the Company has participated in ~~980~~ loans, with an average loan amount of $~~132,350.~~, with the highest single loan being $~~700,000~~ and lowest being $~~25,000.~~. The aggregate amount of loans funded is $~~127,916,750~~ with property values totaling $~~194,517,300.~~. The total amount of loans that have funded and closed is $~~116,461,640~~ with home values equaling $~~177,055,800.~~. These loans have borne interest rates of 18% to 24% per annum. The interest rate paid to noteholders has ranged from 8% to 12% per annum through such date. All secured loans made by the Company have been paid in accordance with their respective terms and it has sustained no loses on its portfolio. ~~[*UPDATE UP TO APRIL 30, 2009*]~~

MANAGEMENT

Directors and Executive Officers

The Director and Executive ~~Officers~~**Officer** of the Company are: Denny J. Chittick, ~~39.~~ ~~[*UPDATE*],~~**41,** 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.

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 ~~reached an~~ **a written** agreement ~~in principle~~ with Robert Koehler, an owner of RLS Capital, Inc. to provide or arrange for any necessary services for the Company. Robert has ~~eight~~**ten (10)** years of experience supporting real estate loan portfolios similar to the portfolio of the Company. Robert 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 hundreds of private purchase of notes and trust deeds. Robert 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, Robert is a signatory on the Company's bank account. **On a weekly basis,** Robert receives an updated spreadsheet of all properties currently being used as collateral for a loan. On a monthly basis, Robert 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 Robert, upon Robert's receipt of instructions from Denny Chittick **[who else has authority to give instruction?]** 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, Robert will act to close down the Company's business by collecting all **of** the monies due on the Trust Deeds and Robert will return all of the principal and interest owed to the investors pursuant to the Notes. **[Need to add contingency to comply with standards set by FINRA.]**

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 intends to retain earnings in the Company up to the 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 $1,200,000 in Notes, but this amount varies from $1 million to $1.8 million.) ~~[CONFIRM]~~ 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.

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 6132 W. Victoria Place Chandler, AZ 85226	500,000	100%

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.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Ownership

Based on his 100 percent ownership of the Company's common stock, Denny J. 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, Denny 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 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."

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 on the payment 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**. ~~[*NOTE: DOES ONE OR MORE SUBORDINATION AGREEMENTS OR OTHER SUCH AGREEMENTS EXIST TO EVIDENCE SUBORDINATION?*]~~

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 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 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 may, in its discretion, modify the interest rate paid on subsequently issued Notes or the term of such Notes. Any such modification of the interest rate or term will not affect Notes then issued and outstanding.

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)

(1) Note amounts are issued in varied denominations from $50,000 to $1,000,000, and in additional increments with a minimum of $10,000.

(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.

(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 also reserves the right, in its sole discretion, to adjust the interest paid on outstanding Notes on 30 days written notice to Noteholders.

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 an 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.

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 Securities and Exchange Commission 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, nor 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~~, partnership or other entity~~ 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 ~~other than a U.S. Holder~~**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~~. This adjusted tax basis will be~~, 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 ~~be considered~~ (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 ~~28~~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 ~~50~~**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 ~~the Noteholder~~**a U.S. Holder** with respect to the Notes held during each calendar year, and ~~the Noteholder~~**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. ~~The Code generally requires reporting and inclusion of interest income to the taxpayer and may, in certain circumstances, require backup withholding at the rate of 28% with respect to any interest paid not only by the Company on the Notes unless the Noteholder (1) is an entity that is exempt from backup withholding and, when required, demonstrates this fact; or (2) (i) provides the Company with a correct taxpayer identification number, (ii) certifies that the taxpayer identification number is correct and that the taxpayer has not been notified by the IRS that the taxpayer is subject to backup withholding due to underreporting interest or dividends, and (iii) the taxpayer otherwise complies with applicable requirements of the backup withholding rules~~. 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~~, currently 28% (for years 2007 through 2010)~~ **at a rate of 28%**, except where an applicable United States income tax treaty provides for the reduction or elimination of such withholding tax.

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 ~~holder~~**Non-U.S. Holder**'s U.S. federal income tax liability provided the required information if 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 (including the person's residence);

(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 computing net worth for the purpose of (5) above, the principal residence of the investor must be valued at cost, including cost of improvements, or at recently appraised value by an institutional lender making a secured loan net of encumbrances. 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.

Document comparison done by DeltaView on Monday, July 06, 2009 1:37:01 PM

Input:	
Document 1	pcdocs://px01docs/640728/2
Document 2	pcdocs://px01docs/640728/3
Rendering set	Linda B

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	142
Deletions	123
Moved from	2
Moved to	2
Style change	0
Format changed	0
Total changes	269

Exhibit No. 13

Denisco / 2011 PDM

Mtg w/ Denny Chittick (4/13/11)

* → need to explain case from last July + decision – not to get licensed → will also need to add risk factor

→ Warren Bash → willing to review final draft

(?) p 32 FN(1) → last sentence → delete + change to discretion of Company

need to find p ____ – $1M "sink fund" → need to find the reference

→ any loss – ① first applies to / goes against retained earnings; ② applies to / reduces the "$1 million buffer";

(?) p 45 FN(1) –

p 4 p 5 – change size of loans → to less than $50,000

→ need to add odd
- duplex
- tri-plex
- some apartment complexes
- multi unit apartment

→ using some DOT on houses as on the apartments
↳ need right to force Borrower to have paid into a lock box

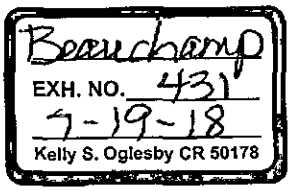
— Both Husband & Wife need to sign personal guarantees in AZ

— Cross Default - Yes

DB — collection atty names → send names + #'s to D.C.

— update for Dodd Frank
↳ exclude equity from home for the

Exhibit No. 14



Confidential Private Offering Memorandum

DenSco Investment Corporation

July 1, 2009

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."

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**
Total Minimum Offering	**$500,000**	**-0-**	**$480,000**
Offering Maximum	**$50,000,000**	**-0-**	**$49,980,000**

(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) Its 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 $20,000, will be paid from the Company's general operating funds.

DenSco Investment Corporation
6132 W. Victoria Place
Chandler, Arizona 85226
602-469-3001
602-532-7737(f)

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 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.

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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 eight years of operation from April, 2001 through June, 2009, the Company has engaged in 1640 loan transactions. The Company has been and will continue to be engaged primarily in funding purchases of houses through preforeclosure process, foreclosure sales and funding and purchasing construction loans, all of which will be secured by real estate deeds of trust ("Trust Deeds") to Arizona builders of new commercial and residential properties with defined loan-to-value ratios. 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% percent in the aggregate for all loans in the loan portfolio.

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: The Company is offering the first $500,000 in principal amount of Notes on an "all-or-none, best efforts basis" and on a "best efforts" basis with respect to the remaining $49.5 million in principal amount of Notes. In addition to the Company's President's (Denny Chittick) initial capital contribution to the Company, Mr. Chittick maintains a $1 million investment in the Company at all times. This investment takes the form of

Notes. Therefore, depending on the maturity of the Notes currently held by Mr. Chittick, the minimum offering may be met with his investment only. 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 $50,000 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 target loan duration is to last between two to four months and all loans are structured to require monthly interest payments.

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 $50,000, and the maximum loan size will continue to be

$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, 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.

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 rates, 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 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.

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 and visiting the subject property in a timely manner. For purchases of foreclosed homes, the properties are inspected after purchase, before or during rehabilitation and after rehabilitation to insure the property is improved to a marketable condition. The Company will not make residential loans to natural persons for personal, family or household purposes.

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.

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 will be 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 principle 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.

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 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 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 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 vested.

Other states in the West 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, it is likely that some of those provisions will become in effect in Arizona either through law or regulation during this offering. The Company's management believes that the Company's practices will not need to change in order to be in compliance with any of the current proposals that may go into effect. However, there can be no assurance that such will be the case.

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 200 approved and qualified borrowers. It is the Company's plan that the base of borrowers eventually will exceed 500 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 relatively short term.

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 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 1800 loans secured by real estate over the last twelve (12) years. As of the date of this Memorandum, Mr. Chittick and the Company have collectively experienced thirty-two (32) loan defaults that required initiating a Trustee's sale process, with five 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.

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 eight year operating history through June 2009, the Company has completed in excess of 1475 loan transactions. However, even with these number of loans over eight 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.

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 force 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."

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; Lack of Governmental Insurance

The Notes represent general obligations of the Company and will not be subject to redemption through a sinking 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. 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 Noteholder's ability to gain 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 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. 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."

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 30 days' written notice. 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."

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."

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.

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.

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 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 .04 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."

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.

	Minimum Amount Raised	*Percent of Offering*	*Target Amount Raised*	*Percent of Offering*
Gross Offering Proceeds	$500,000	100%	$50,000,000	100%
Commissions & Costs (1)	-0-	0%	-0-	0%
Cash Reserve (2)	-0-	0%	-0-	0%
General Business (3)	$20,000	4%	$20,000	.04%
Proceeds Available For Funding/ Purchase of Construction Loans (4)	$480,000	96%	$49,980,000	99.96%

(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. Transaction costs for Notes purchased with qualified funds will be paid by the Company up to one percent (1%) of the principal Note amount.

(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.

(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.

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. From January 2009 to the end of June 2009, there has been an additional $800,000 raised. 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 thirty (30) 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 ten percent (10%) 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%.

In 2001, the Company funded 37 loans in its first year of operation. The aggregate amount of these loans totaled $3,378,000, with the value of underlying homes totaling $6,393,000. Of those 37 loans, 15 were repaid in 2001. The repaid loans totaled $1,452,000, with the value of the underlying homes equaling $2,431,000. All interest due from all loans was collected.

In 2002, the Company funded 69 loans in its first full year of operation. The aggregate amount of these loans totaled $5,685,000, with the value of the underlying homes totaling $8,780,000. Of the 69 new loans in 2002 and the remaining unpaid loans from late 2001, 66 were repaid in 2002. These repaid loans totaled $5,267,000, with the value of the underlying homes equaling $9,076,300. All interest due from all loans was collected.

In 2003, the Company funded 124 loans. The aggregate amount of these loans totaled $11,673,000, with the value of the underlying homes totaling $17,530,500. Of the 124 new loans in 2003 and the remaining unpaid loans from late 2002, 106 were repaid in 2003. These repaid loans totaled $9,693,500, with the value of the underlying homes equaling $14,488,500. All interest due from all loans was collected.

In 2004, the Company funded 185 loans. The aggregate amount of these loans totaled $19,907,000, with the value of the underlying homes totaling $30,422,600. Of the 185 new loans in 2004 and the remaining unpaid loans from late 2003, 170 were repaid in 2004. These repaid loans totaled $17,951,700, with the value of the underlying homes equaling $26,939,500. All interest due from all loans was collected.

In 2005, the Company funded 236 loans. The aggregate amount of these loans totaled $34,955,700, with the value of the underlying homes totaling $50,487,300. Of the 236 new loans in 2005 and the remaining unpaid loans from late 2004, 232 were repaid in 2005. These

repaid loans totaled $31,001,940, with the value of the underlying homes equaling $45,111,500. All interest due from all loans was collected.

In 2006, the Company funded 215 loans. The aggregate amount of these loans totaled $34,468,100, with the value of the underlying homes totaling $52,784,000. Of the 215 new loans in 2006 and the remaining unpaid loans from 2005, 212 were repaid in 2006. These repaid loans totaled $35,301,250, with the value of the underlying homes equaling $53,057,200. 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, the Company funded 271 loans. the aggregate amount of these loans totaled $42,269,767, with the value of the underlying homes totaling $65,574,500. Of the 271 new loans in 2007 and the remaining unpaid loans from 2006, 257 were repaid in 2007. these repaid loans totaled $41,424,815, with the value of the underlying homes equaling $65,482,800. One condominium loan, two house loans, and one land loan were foreclosed. While the condominium and houses were sold with minimal principle loss, much of the interest was collected on all four loans. The loss was absorbed by the Company.

In 2008, the Company funded 364 loans. The aggregate amount of these loans totaled $47,329,758, with the value of the underlying homes totaling $77,616,000. Of the 364 new loans in 2008 and the remaining unpaid loans from 2007, 257 were repaid in 2008. Such repaid loans totaled $34,578,755 with the value of the underlying homes equaling $56,255,500. While one condominium and six homes were sold with minimal principle 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.

From January 1, through June 30, 2009, the Company has funded 182 loans for a total of $17,932,000, with the underlying homes valued at $31,623,000. There have been 153 loans repaid in 2009 for a total of $18,227,000, and house values of $31,178,000. All loans that have closed have paid all interest due. There have been five homes that have been foreclosed on in

2009. All but three homes that have been acquired in 2008 and 2009 have been sold or are in escrow presently. All homes that were acquired and rented will be sold over the next year as investment properties to other parties. There are no loans presently in threat of being foreclosed on or any borrowers requesting a Deed in Lieu.

Since inception through June 30, 2009, the Company has participated in 1629 loans, with an average loan amount of $128,259, with the highest single loan being $800,000 and lowest being $18,000. The aggregate amount of loans funded is $211,024,492 with property values totaling $334,365,490. The total amount of loans that have funded and closed is $193,786,231 with home values equaling $305,340,299. These loans have borne interest rates of 18% to 24% 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, 41, 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.

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. Robert has ten (10) years of experience supporting real estate loan portfolios similar to the portfolio of the Company. Robert 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 hundreds of private purchase of notes and trust deeds. Robert 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, Robert is a signatory on the Company's bank account. On a weekly basis, Robert receives an updated spreadsheet of all properties currently being used as collateral for a loan. On a monthly basis, Robert 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 Robert, upon Robert's receipt of instructions from Denny 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, Robert will act to close down the Company's business by collecting all of the monies due on the Trust Deeds and Robert will return all of the principal and interest owed to the investors pursuant to the Notes.

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 intends to retain earnings in the Company up to the 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 $1,200,000 in Notes, but this amount varies from $1 million to $1.8 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.

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.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Ownership

Based on his 100 percent ownership of the Company's common stock, Denny J. 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, Denny 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 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."

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 on the payment 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.

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 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 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 may, in its discretion, modify the interest rate paid on subsequently issued Notes or the term of such Notes. Any such modification of the interest rate or term will not affect Notes then issued and outstanding.

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)

(1) Note amounts are issued in varied denominations from $50,000 to $1,000,000, and in additional increments with a minimum of $10,000.

(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.

(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 also reserves the right, in its sole discretion, to adjust the interest paid on outstanding Notes on 30 days written notice to Noteholders.

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 an 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.

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 Securities and Exchange Commission 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, nor 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.

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 if 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 (including the person's residence);

(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 computing net worth for the purpose of (5) above, the principal residence of the investor must be valued at cost, including cost of improvements, or at recently appraised value by an institutional lender making a secured loan net of encumbrances. 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 No. 15

Confidential Private Offering Memorandum

DenSco Investment Corporation

June 1, 2007

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."

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 PASSED UPON 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.

	Initial Offering Price (1)	Underwriting Commissions (2)	Proceeds to the Company (3)
Note	$50,000	-0-	$50,000
Total Minimum Offering	$500,000	-0-	$480,000
Offering Maximum	$50,000,000	-0-	$49,980,000

(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) Its 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. ~~We spell it out everywhere else, I thought that we would be consisitant.~~

(3) Organizational expenses and initial offering expenses, estimated at $20,000, will be paid from the funds raised.

DenSco Investment Corporation

6132 W. Victoria Place

Chandler, Arizona 85226

602-469-3001

602-532-7737(f)

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 STATE SECURITIES LAW; (2) ABLE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES; 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.

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.

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 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.

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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. Despite only six years of operation, the Company has engaged in 975 loan transactions. The Company has been and will continue to be engaged primarily in funding purchases of houses through preforeclosure process, foreclosure sales and funding and purchasing construction loans, all of which will be secured by real estate deeds of trust ("Trust Deeds") to Arizona builders of new commercial and residential properties with defined loan-to-value ratios. 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 and a maximum loan-to-value ratio of 70% percent in the aggregate for all loans in the loan portfolio.

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: The Company is offering the first $500,000 in principal amount of Notes on an "all-or-none, best efforts basis" and on a "best efforts" basis with respect to the

remaining $49.5 million in principal amount of Notes. In addition to the Company's President, Denny Chittick initial capital contribution to the Company, Mr. Chittick maintains a $1 million investment in the Company at all times. This investment takes the form of Notes. Therefore, depending on the maturity of the Notes currently held by Mr. Chittick, the minimum offering may be met with his investment only. 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: (i) funding Foreclosure Specialists, who purchase houses through the preforeclosure process, and at foreclosure sales and (ii) funding and purchasing construction loans secured by real estate deeds of trust ("Trust Deeds") to Arizona builders of commercial and residential construction projects.

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 $50,000 to $500,000, with the largest loan size not 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 target loan duration is to last between two to four months and any loans longer than six months is structured to require monthly interest payments.

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 $50,000, and the maximum loan size will continue to be $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, 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.

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 rates, 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. The Company may diversify its financing operations in the future to include other areas

of finance~~; provided, however, the Company will maintain its assets so that more than ___% of its assets are loans secured by mortgages, deeds of trusts and other liens on and interests in real estate~~. 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. ~~[Insert % above.]~~

~~I would take the sentence out from 'provided, however, ... To and interests in real estate." It doesn't make sense to me and the answer to the percentage is 100%.~~

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 and visiting the subject property in a timely manner. For purchases of foreclosed homes, the properties are inspected after purchase, before or during rehabilitation and after rehabilitation to insure the

property is improved to a marketable condition. The Company will not *make* residential loans to *natural* persons for personal, family or household purposes.

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.

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 will be 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 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. When a property is in foreclosure, the Company will reserve against loan losses to the extent the Company deems necessary. The Company believes that the reserves will be sufficient to protect the Company against project losses. However, the Company cannot guarantee that reserve estimates will be adequate, and project losses in excess of reserves would adversely affect the operations of the Company.

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 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 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 believes it will 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.

The U.S. Federal Housing Administration previously implemented nationwide restrictions on the issuance of FHA financing for houses being resold within 90 days of its acquisition, including additional appraisal requirements. After some initial disruption to the home loan market, the interpretation of these restrictions was eased. If new regulations are issued or if a more strict interpretation of these regulations is implemented in the future, these 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 vested.

Other states in the West 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, it is likely that some of those provisions will become in effect in Arizona either through law or regulation during this offering. The Company's management believes that the Company's practices will not need to change in order to be in compliance with any of the current proposals that may go into effect. However, there can be no assurance that such will be the case.

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 200 approved and qualified borrowers. It is the Company's plan that the base of borrowers eventually will exceed 500 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 relatively short term.

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 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 1,000 loans secured by real estate over the last ten years. As of the date of this Memorandum, Mr. Chittick has experienced only five default requiring initiating foreclosure, and no loans that resulted in principal losses. 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.

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 six year operating history, the Company has completed in excess of 975 loan transactions. However, even with these number of loans over six 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.

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 more 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. 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 ~~no interest [for~~ minimal interest] on its cash accounts at its bank. ~~[It~~

~~"minimal interest" correct?] that is correct, I do receive interest on my bank account, it is minimal. I would take out no interest and put in minimal interest.~~ 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."

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 officers and consultants, and on their research and 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 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; Lack of Governmental Insurance

The Notes represent general obligations of the Company and will not be subject to redemption through a sinking 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. 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 Noteholder's ability to gain 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 its customers is limited by competitive and other factors, the Company may not be able to pass on increases in its funding rate to investors. 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 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. Funds advanced in this manner are generally only short term (3-5 days). ~~[These funds have priority to funds invested in the Notes.] [How do these funds have priority? This needs to be explained, because it is different than our statements that the investor Notes have priority.] I read that and wondered why they would. I didn't put that in there, I don't believe it's true, they should be considered the same level of priority as investor notes.~~ If the Company were to require additional conventional financing, the lender will

probably secure its loan 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."

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 adversely affect the operations of the Company. See "Business -- Regulation," including the predatory mortgage lending discussion contained therein.

FHA Regulation

In addition, the Federal Housing Administration previously implemented nationwide restrictions on the issuance of FHA financing for houses being resold within 90 days of its acquisition. After some initial disruption to the home loan market, the interpretation of these restrictions were eased. If new regulations are issued or if a more strict interpretation of these regulations is implemented in the future, these 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 30 days' written notice. 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."

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."

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."

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 affect on the Company's operations.

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.

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."

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.

USE OF PROCEEDS

The Company intends to use the net proceeds received from the sale of the Notes, after deducting organizational and offering expenses not expected to exceed $20,000, 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 .04 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."

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.

	Minimum Amount Raised	*Percent of Offering*	*Target Amount Raised*	*Percent of Offering*
Gross Offering Proceeds	$500,000	100%	$50,000,000	100%
Commissions & Costs (1)	-0-	0%	-0-	0%
Cash Reserve (2)	-0-	0%	-0-	0%
General Business (3)	$20,000	4%	$20,000	.04%
Proceeds Available For Funding/ Purchase of Construction Loans (4)	$480,000	96%	$49,980,000	99.96%

(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. Transaction costs for Notes purchased with qualified funds will be paid by the Company up to one percent (1%) of the principal Note amount.

(2) The 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.

(3) The 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 also include the organizational and initial 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.

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. From January 2007 to the end of May 2007, there has been an additional $980,000. ~~{Update this before go to print~~UPDATE THIS BEFORE GO TO PRINT.} 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 12 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 30 cities in the Phoenix metro area, which include 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.

All real estate loans funded by the Company have been and will 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%.

In 2001, the Company funded 37 loans in its first year of operation. The aggregate amount of these loans totaled $3,280,000, with the value of underlying homes totaling $6,246,000. Of those 37 loans, 15 were repaid in 2001. The repaid loans totaled $1,452,000, with the value of the underlying homes equaling $2,431,000. All interest due from all loans was collected.

In 2002, the Company funded 71 loans in its first full year of operation. The aggregate amount of these loans totaled $5,845,000, with the value of the underlying homes totaling $9,027,000. Of the 71 new loans in 2002 and the remaining unpaid loans from late 2001, 66 were repaid in 2002. These repaid loans totaled $5,257,000, with the value of the underlying homes equaling $9,076,300. All interest due from all loans was collected.

In 2003, the Company funded 123 loans. The aggregate amount of these loans totaled $12,058,500, with the value of the underlying homes totaling $17,430,500. Of the 123 new loans in 2003 and the remaining unpaid loans from late 2002, 106 were repaid in 2003. These repaid loans totaled $9,693,500, with the value of the underlying homes equaling $14,488,500. All interest due from all loans was collected.

In 2004, the Company funded 184 loans. The aggregate amount of these loans totaled $20,417,275, with the value of the underlying homes totaling $30,813,800. Of the 184 new loans in 2004 and the remaining unpaid loans from late 2003, 170 were repaid in 2004. These repaid loans totaled $17,950,800, with the value of the underlying homes equaling $26,939,500. All interest due from all loans was collected.

In 2005, the Company funded 232 loans. The aggregate amount of these loans totaled $33,180,129, with the value of the underlying homes totaling $47,324,300. Of the 232 new loans in 2005 and the remaining unpaid loans from late 2004, 232 were repaid in 2005. These repaid loans totaled $31,001,940, with the value of the underlying homes equaling $45,111,500. All interest due from all loans was collected.

In 2006, the Company funded 202 loans. The aggregate amount of these loans totaled $33,779,600, with the value of the underlying homes totaling $52,166,000. Of the 202 new loans in 2006 and the remaining unpaid loans from 2005, 212 were repaid in 2006. These repaid loans totaled $35,301,250, with the value of the underlying homes equaling $53,057,200. 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.

From January 1, through May 31, 2007, the Company has funded __ loans for a total of $_____, with the underlying homes valued at $_____. There have been __ loans repaid in 2007 for a total of $_____, and house values of $_____. All loans that have closed have paid all interest due.

I will finish this when we are complete and ready to print.

Since inception through May 31, 2007, the Company has participated in ___ loans, with an average loan amount of $_____, with the highest single loan being $_____ and lowest being $_____. The aggregate amount of loans funded is $_____ _____ with property values totaling $_____. The total amount of loans that have funded and closed is $_____ with home values equaling $_____. These loans have borne interest rates of __% to __% per annum. The interest

rate paid to noteholders has ranged from 8% to 12% per annum through such date. All secured loans made by the Company have been paid in accordance with their respective terms and it has sustained no loses on its portfolio.

[I will finish this when we are complete and ready to print.]

MANAGEMENT

Directors and Executive Officers

The Director and Executive Officers of the Company are: Denny J. Chittick, 39, 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 ASU.

~~How about: Denny is an overall great guy? This statement is probably not defensible enough to include due to securities law concerns, but it is true. remember, my family reads this too!~~

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 reached an agreement in principle with Robert Koehler, an owner of RLS Capital, Inc. to provide or arrange for any necessary services for the Company. Robert has eight years of experience supporting real estate loan portfolios similar to the portfolio of the Company. Robert 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 hundreds of private purchase of notes and trust deeds. Robert 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, Robert is a signatory on the Company's bank account. Robert receives an updated spreadsheet of all properties currently being used as collateral for a loan. On a monthly basis, Robert receives a spreadsheet of all the investors and what is owed to each of them. Pursuant to the agreement with Robert, upon Robert's receipt of instructions from Denny Chittick 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, Robert will act to close down the Company's business by collecting all the monies due on the Trust Deeds and Robert will return all of the principal and interest owed to the investors pursuant to the Notes.

Management Compensation

As the sole shareholder, Mr. Chittick receives a minimal 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. ~~Distributions of sufficient~~ Sufficient year-end profits are distributed to Mr. Chittick ~~[Is this wording accurate? Please ask your Accountant.]~~ in connection with the recognition by Mr. Chittick of the Company's income ~~due~~pursuant to the U.S. Internal Revenue Code rules applicable to Chapter S corporations. [Is this wording accurate? Please ask your Accountant.] 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. ~~OK now it's correct.~~

[Did your accountant approve the wording of second sentence above?]

Ownership Compensation

The Company receives its revenue *primarily* from interest earned 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 intends to retain earnings in the Company up to the 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 $1,200,000 in Notes, but this amount varies from $1 million to $1.8 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.

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.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Ownership

Based on his 100 percent ownership of the Company's common stock, Denny J. 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, Denny 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 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."

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 on the payment 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.

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 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.

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 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 ~~review. [Is this accurate?], sure I would do that, however, I would change it to "as of the date of the request". I am not having a review completed.~~request.

The Company may, in its discretion, modify the interest rate paid on subsequently issued Notes or the term of such Notes. Any such modification of the interest rate or term will not affect Notes then issued and outstanding.

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)

(1) Note amounts are issued in varied denominations from $50,000 to $1,000,000, and in additional increments with a minimum of $10,000.

(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.

(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 also reserves the right to adjust the interest paid on outstanding Notes on 30 days written notice to Noteholders.

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 an 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. ~~If requested, inserts "see second paragraph under "Description of Securities" and note (2) on preceding page." looks ok to me.~~

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 Securities and Exchange Commission 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, nor 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

~~[NOTE: Please have the Company's Accountant Review, Update and Approve this Section]~~

~~I will call him today and see if he's back from vacation.~~

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 the Code, as amended, existing and proposed U.S. Treasury Regulations, 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, partnership or other entity 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 other than a U.S. Holder.

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. This adjusted tax basis will be increased by any 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 be considered (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 28% (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 ~~51% or more~~ than 50% 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

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 the Noteholder with respect to the Notes held during each calendar year, and the Noteholder is required to report such amount as income on its federal income tax return for that year. A U.S. backup

withholding tax will apply to such payments if a U.S. Holder fails to provide a taxpayer identification number or certification of other tax-exempt status or fails to report in full dividend and interest income.

The Code generally requires reporting and inclusion of interest income to the taxpayer and may, in certain circumstances, require backup withholding at the rate of 28% with respect to any interest paid not only by the Company on the Notes unless the Notehoder (1) is an entity that is exempt from backup withholding and, when required, demonstrates this fact; or (2) (i) provides the Company with a correct taxpayer identification number, (ii) certifies that the taxpayer identification number is correct and that the taxpayer has not been notified by the IRS that the taxpayer is subject to backup withholding due to underreporting interest or dividends, and (iii) the taxpayer otherwise complies with applicable requirements of the backup withholding rules. 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.

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,

currently 28% (for years 2007 through 2010), except where an applicable United States income tax treaty provides for the reduction or elimination of such withholding tax.

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 holder's U.S. federal income tax liability provided the required information if 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 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 (including the person's residence);

(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 ~~[Although the prevailing view is what we discussed concerning where revocable and irrevocable trusts qualify under these classifications, I have not found a definitive reference. I will continue to look.]~~

(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 computing net worth for the purpose of (5) above, the principal residence of the investor must be valued at cost, including cost of improvements, or at recently appraised value by an institutional lender making a secured loan net of encumbrances. 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.

Document comparison done by DeltaView on Thursday, May 17, 2007 11:06:40 PM

Input:	
Document 1	iManageDeskSite://GB2K-3/iManageDB/354899/4
Document 2	iManageDeskSite://GB2K-3/iManageDB/354899/5
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	21
Deletions	31
Moved from	1
Moved to	1
Style change	0
Format changed	0
Total changes	54

Exhibit No. 16

DenSco / PSM

Beauchamp, David G.

From: Beauchamp, David G.
Sent: Monday, July 18, 2011 10:08 AM
To: Parsons, Marvi M.
Cc: Schneider, Gus; Beauchamp, David G.
Subject: Fw: Memoradum
Attachments: Private Offering Memorandum 2011.doc

Marvi:

Could you prepare and print a blackline comparing this document to the draft we sent to him from our system. We have to give final approval and I want to double-check what has been changed.

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 <dcmoney@yahoo.com>
To: Beauchamp, David G.
Sent: Mon Jul 11 01:13:38 2011
Subject: Memoradum

Ok i'm done. i don't want to look at this thing for another 2 years!

I filled in all the blanks that were left for me. on doc page 45, or memorandum page 36-38, i changed things a little. i made a chart instead of paragraph after paragraph. then i summarized each year. feel free to make any modifications.

other than those to things the blanks and prior performance, i believe we are done.

send me back a final draft and i'll print it!

or finally can i email it to people? or do i still have to mail a printed copy?
thx
dc

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

Exhibit No. 17

DENSCO INVESTMENT CORPORATION

SUBSCRIPTION AGREEMENT

Ladies and Gentlemen: Investment # 4 Date: April 22, 2013

1. **Subscription**. The undersigned investor has received and reviewed the Confidential Private Offering Memorandum dated July 1, 2009 (the "POM"). The undersigned certifies that the undersigned meets the applicable suitability standards as evidenced on the attached Purchaser Questionnaire and the undersigned hereby subscribes for and agrees to purchase the following Note from DenSco Investment Corporation (the "Company"):

- ☐ Accrual Note in the amount of $_____ for _____ months that will bear interest at the rate of _____% per year (___% monthly). The interest will be compounded monthly. The principal and accrued interest will be paid back to the undersigned investor at the end of the term of the Note. (The minimum amount of a Note is $50,000 with additional increments in a minimum of at least $10,000).

- ☐ Quarterly Payment Note in the amount of $_____ for ___ ___ months that will bear interest at the rate of _____% per year (___ ___% monthly). The interest will be compounded monthly. The principal and any accrued and unpaid interest will be paid back to the undersigned investor at the end of the term of the Note. (The minimum amount of a Note is $50,000 with additional increments in a minimum of at least $10,000).

- ☐ Monthly Payment Note in the amount of $ 400.000.00 for 24 months that will bear interest at the rate of 12 % per year (1 % monthly). The interest will be paid to the undersigned investor on a monthly basis, and the principal will be paid to the undersigned at the end of the term of the Note. (The minimum amount of a Note is $50,000 with additional increments in a minimum of at least $10,000).

As a condition of the offer, the undersigned agrees to deliver this executed Subscription Agreement to the Company. Such Note will be issuable only upon acceptance of this Subscription Agreement by the Company and receipt of the consideration set forth in this Subscription Agreement.

2. **Representations and Warranties**. By executing this Subscription Agreement, the undersigned represents, warrants and acknowledges to the Company that:

(a) Based on personal knowledge and experience in financial and business matters in general, the undersigned understands the nature of this investment, is fully aware of and familiar with the proposed business operations of the Company, is able to evaluate the merits and risks of an investment in a Note and is capable of protecting the undersigned's interests in investing in the investment. The undersigned has received and carefully reviewed the POM. The undersigned has relied solely on the information contained therein, and information otherwise

provided to me in writing by the Company. The undersigned understands that all documents, records and books pertaining to this investment have been made available by the Company for inspection by me or my attorney, accountant and Purchaser Representative. The undersigned is familiar with the Company's business objectives and the financial arrangements in connection therewith and the undersigned believes that the Note being purchased is the kind of securities that the undersigned wishes to hold for investment and that the nature and amount of the Note is consistent with my investment program.

(b) The undersigned has been given the opportunity to ask questions about the Company and has been granted access to all information, financial and otherwise, with respect to the Company which has been requested, has examined such information, and is satisfied with respect to the same. No representations have been made or information furnished to me or my advisor(s) relating to the Company or the Note which were in any way inconsistent with the POM.

(c) Subject to the terms and conditions hereof and the form of Note, the undersigned hereby irrevocably tenders this Subscription Agreement for the purchase of a Note in the amount indicated in Paragraph 1 above and shall pay for such Note as instructed to by the Company. The undersigned is aware that the subscription made herein is irrevocable but that the Company has the unconditional right to accept or reject this subscription in whole or in part, and that the Notes issued pursuant hereto are subject to the approval of certain legal matters by counsel and to other conditions. If my subscription is not accepted for any reason whatsoever, my money will be returned in full, with any interest that may be earned thereon, and the Company will be relieved of any responsibility or liability which might be deemed to arise out of my offer to subscribe to a Note from the Company.

(d) The undersigned, in determining to purchase a Note, has relied solely upon (i) the advice of its legal counsel and accountants or other financial advisers with respect to the tax, economic and other consequences involved in purchasing a Note and (ii) the undersigned's own, independent evaluation of the business, operations and prospects of the Company and the merits and risks of the purchase of a Note. The undersigned, and if applicable the undersigned's Purchaser Representative, has carefully reviewed the POM. The undersigned has, either alone or together with my Purchaser Representative, such knowledge and experience in business and financial matters as will enable me to evaluate the merits and risks of the prospective investment and to make an informed investment decision.

(e) The undersigned has been advised and understands that this investment in a Note is, by its nature, very speculative and that an investment in the Note involves a high degree of economic risk, due to a number of risks. In addition, there is, and will be, no public market for the Note.

(f) The undersigned has sufficient income and net worth such that the undersigned does not contemplate being required to dispose of any portion of the investment in a Note to satisfy any existing or expected undertaking or indebtedness. The undersigned is able to bear the economic risks of an investment in a Note from the Company, including, without limiting the generality of the foregoing, the risk of losing all or any part of the investment and probable inability to sell or transfer the investment for an indefinite period of time. The undersigned acknowledges that this investment is speculative and may only be sold to persons who understand the nature of the proposed operations of the Company and for whom the

investment is suitable. The undersigned represents that the undersigned meets such suitability standards.

(g) The Note when purchased will be acquired for the account of the undersigned.

(h) The undersigned acknowledges that the offering and sale of securities are being made by the Company in reliance upon an exemption from registration under the Securities Act of 1933, as amended (the "1933 Act"). The undersigned understands that the Notes have not been registered under the 1933 Act or any state securities laws, are "restricted securities" in the hands of the undersigned within the meaning of the 1933 Act and any future sale or transfer of a Note is prohibited without the prior written consent of the Company. The undersigned further understands that such exemptions depend upon my investment intent at the time the undersigned acquires the Note. The undersigned therefore represents and warrants that the undersigned is purchasing the Note for my own account for investment and not with a view to distribution, assignment, resale or other transfer of the Note. Except as specifically stated herein, no other person has a direct or indirect beneficial interest in the Note. Because the Note is not registered, the undersigned is aware that the undersigned must hold it indefinitely (until the Maturity Date in the Note) unless it is registered under the Act and any applicable state securities laws or the undersigned must obtain exemptions from such registration.

(i) The undersigned understands that the Company is not presently subject to the provisions of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, and that the undersigned may not be permitted to rely on the provisions of Rule 144, promulgated by the Securities and Exchange Commission, for authority to sell or otherwise dispose of a Note after a fixed period of time.

(j) The undersigned will not sell or otherwise transfer or dispose of a Note (i) except in strict compliance with (A) the provisions of this Subscription Agreement and (B) the restrictions on transfer described herein and (ii) unless such securities are (X) registered under the 1933 Act, and any applicable state securities laws or (Y) the undersigned represents that such securities may be sold in reliance on an exemption from such registration requirements. The undersigned acknowledges that the Company is under no duty to register the Notes or comply with any exemption in connection with any attempt by me to sell, transfer or other disposition of the Note by me. The undersigned understands that in the event the undersigned desires to sell, assign, transfer, hypothecate or in any way alienate or encumber my Note in the future, the President of the Company can require that the undersigned provides, at the undersigned's own expense, an opinion of counsel satisfactory to the President to the effect that such action will not result in a violation of applicable federal or state securities laws and regulations or other applicable federal or state laws and regulations.

(k) The undersigned is an accredited investor, as defined in Rule 501(a) of Regulation D promulgated pursuant to the Securities Act, by virtue of the facts set forth in the attached Purchaser Questionnaire.

(l) The investment in the Company has been privately proposed to the undersigned without the use of general solicitation or advertising. The solicitation of an offer to purchase the Note was directly communicated to me. At no time was the undersigned presented with or solicited by or through any leaflet, public promotional meeting, circular, newspaper or

magazine article, radio or television advertisement or any other form of general advertising in connection with such communicated offer.

(m) The undersigned recognizes that an investment in the Company involves certain risks and I (and my Purchaser Representative) have taken full cognizance of and understand all of the risk factors related to the business objectives of the Company and the purchase of the Note, including the risk factors for speculative investments as described in the POM.

(n) No federal or state agency, including the Securities and Exchange Commission or the securities regulatory agency of any state, has approved or disapproved the Notes, passed upon or endorsed the merits of such investment, or made any finding or determination as to the fairness of a Note for private investment.

(o) The investment is being made in reliance on specific exemptions from the registration requirements of federal and state securities laws, and the Company is relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgments and understandings set forth herein in order to establish such exemptions.

(p) All information that the undersigned has provided in the Purchaser Questionnaire, including, without limitation, information concerning myself, my financial position and my knowledge of financial and business matters and that of my Purchaser Representative, is correct and complete as of the date hereof, and if there should be any material change in such information prior to the acceptance of this Subscription Agreement, the undersigned will immediately provide the Company with such information.

(q) If the Subscriber is a corporation, partnership, trust, unincorporated association or other entity, it is authorized and otherwise duly qualified to purchase and hold the Note subscribed hereunder; such entity has not been formed for the specific purpose of acquiring a Note from the Company. If the Subscriber is a trustee and is acquiring the Note for the trust of which he is a trustee, he has sought the advice of counsel regarding whether the purchase of the Note is an authorized trust investment and has been advised by counsel that after reviewing the applicable state law and the terms of the trust instrument, such counsel is of the opinion that the undersigned has the authority to purchase the Note for the trust.

3. **Non-Transferability of Note.** The undersigned agrees to the non-transferability of the Note, except with the prior written consent of the Company, which may be withheld in its sole discretion for several reasons, including compliance with any applicable federal and/or state securities laws and any applicable exemptions.

4. **Indemnification.** The undersigned acknowledges and understands the meaning and legal consequences of the representations and warranties contained herein and agrees to indemnify and hold harmless the Company, its directors, officers, agents, employees and attorneys from and against any and all claims, loss, damage liability, cost or expense including attorneys' fees and courts costs due to or arising out of or connected directly or indirectly to any untrue statement made herein or any breach of any such representation or warranty made by the undersigned.

5. **Miscellaneous.**

(a) The undersigned agrees that the undersigned may not cancel, terminate or revoke this Subscription Agreement or any covenant hereunder and that this Subscription Agreement shall be binding upon and shall inure to the benefit of the parties hereto and to the successors and assigns of the Company. Further, the undersigned agrees that this Subscription Agreement and the representations, warranties and covenants contained herein shall survive my death or disability and shall be binding upon my heirs, executors, administrators, successors and assigns.

(b) This Subscription Agreement shall be enforced, governed and construed in all respects in accordance with the laws of the State of Arizona, without regard to principles of conflicts of law provisions.

(c) Within five days after receipt of a written request from the Company, the undersigned agrees to provide such information and to execute and deliver such documents as may reasonably be necessary to comply with any and all laws and ordinances to which the Company is subject.

(d) This Subscription Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned has executed this Subscription Agreement.

DATED: April 22, 2013

By: _____
Signature of Investor

Desert Classic Investments, LLC, Steven G.Bunger, Managing Member of LLC
Print Name of Investor

Address:
6134 W Trovita Place
Chandler, AZ 85226

SSN (or EIN): _____

By: _____
Signature of Co-Investor (if any)

_____
Print Name of Co-Investor (if any)

Address:

_____

_____

SSN (or EIN): _____

Agreed to and accepted by DenSco Investment Corporation as of April 22, 2013.

By: _____

Name: Denny J. Chittick

Title: President

DOCID_00065995

DENSCO INVESTMENT CORPORATION
GENERAL OBLIGATION NOTE

This certificate evidences the Company's unconditional promise to pay to the registered holder the principal amount at maturity together with interest at the rate and terms described herein and further described in the subscription agreement which by this reference is made a part hereof.

REGISTERED HOLDER

Name: *Desert Classic Investments, LLC* Address: *6134 W Trovita Place*

Chandler, AZ 85226

PRINCIPAL

Principal Amount: $ 400,000.00
Date of Issue: 4/22/2013
Maturity Date: 4/22/2015

INTEREST

Annual Rate: 12%
Payable: ☒ Monthly ☐ Quarterly ☐ At Maturity
First Interest Payment Date: 5/31/2013

NOTICE TO HOLDER

The investment in the Company's General Obligation Note(s) represented by this Certificate have not been registered under the Securities Act of 1933, and is a restricted security within the meaning of the regulations promulgated pursuant to such Act. Such Note(s) may not be sold, assigned, pledged or transferred in any manner in the absence of an effective registration of such Note(s) under the Securities Act of 1933 unless the transaction is such that registration under such Act is not required. No request for transfer or re-issue shall be honored unless the holder produces evidence and opinion of counsel satisfactory to the Company that such transaction does not violate the registration requirements of both such Act and any applicable state securities law.

Denny J. Chittick – President

Exhibit No. 18

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.

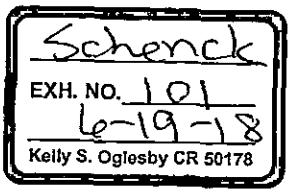
As part of this updated offering, I thought that DenSco should file a new Form D with the SEC, AZ and other applicable states, but Denny wanted me to check with you so that you could coordinate these filings for DenSco.

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 No. 19



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

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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.

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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 No. 20

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

February 20, 2014

Mr. Denny J. Chittick
DenSco Investment Corporation
6132 W. Victoria Place
Chandler, AZ 85226

Via E-Mail and US Mail
(dcmoney@yahoo.com)

Re: Representation of DenSco Investment Corporation

Dear Denny:

Enclosed are the invoices for legal services provided by Clark Hill to DenSco Investment Corporation through the end of January. The Business Matters concerns the research and follow-up for Florida. The Work-out concerns the situation with the loans to Scott Menaged and his affiliates. Some of the time entries had been inadvertently included with the Business Matters account, which increased the balance due under the work-out matter after those entries were transferred. If you have any questions concerning either of these invoices, 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. Thank you also for the recent payments. If you have any question or if we can assist you with any other matter(s), please let me know.

Sincerely,

David

David G. Beauchamp
CLARK HILL PLC

Enclosure(s)

CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500
Scottsdale, Arizona 85254
Telephone (480) 684-1100
Fed.ID # 38-0425840

INVOICE

Invoice # 528892
February 17, 2014
Client: 43820
Matter: 170145

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

RE: Business Matters

FOR SERVICES RENDERED through January 31, 2014

Total Services:	$2,629.50
INVOICE TOTAL	$2,629.50

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

12/18/13	DGB	Review email; telephone conversation with D. Chittick; review POM.	.20
12/18/13	DGB	Review email and outline Florida research.	.30
12/20/13	DGB	Work on Florida broker issues with D. Schenck outline follow-up.	.20
12/20/13	DAS	Legal research regarding hard money lender regulatory requirements in Florida.	2.40
12/23/13	DGB	Review Florida research from D. Schenck; discuss research and follow-up with D. Schenck; email to D. Chittick.	.70
12/23/13	DAS	Additional legal research regarding Florida lending licenses.	1.40
12/26/13	DGB	Discuss additional information from Florida Office of Financial Regulation with D. Schenck; outline questions concerning option to use local mortgage broker to place loans.	.30
12/26/13	DAS	Telephone call to Florida Office of Financial Regulation regarding licensing issues for potential lender.	.30
12/30/13	DGB	Revise follow-up questions for possible procedure using mortgage broker.	.10
01/02/14	DGB	Review Florida research; outline additional questions.	.60
01/03/14	DGB	Work on Florida information for D. Chittick; revise email.	.60
01/06/14	DGB	Work on and revise email concerning Florida requirements; transmit revised email to D. Chittick; telephone conversation with D. Chittick.	.30

01/09/14	DGB	Review and respond to email from D. Chittick regarding investment trusts and requirements; discuss issues with D. Chittick.	.30	
				$2,629.50

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	3.60 hours at	$440.00 =	$1,584.00
DAS	Daniel A. Schenck	4.10 hours at	$255.00 =	$1,045.50

CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500
Scottsdale, Arizona 85254
Telephone (480) 684-1100
Fed.ID # 38-0425840

INVOICE

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

Invoice # 528891
February 17, 2014
Client: 43820
Matter: 170082

RE: Work-out of lien issue

FOR SERVICES RENDERED through January 31, 2014

Total Services:	$38,224.00
INVOICE TOTAL	$38,224.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

01/05/14	DGB	Review and respond to email from D. Chittick.	.20
01/06/14	DGB	Review, work on and respond to several emails; review statutory references; telephone conversation with office of D. Chittick; telephone conversation with D. Chittick regarding demand letter, issues, background information and requirements; review notes and statute requirements; review documents.	2.40
01/07/14	DGB	Review legislative history for purchase money security interest; review documents and follow-up information; telephone conversation with office of D. Chittick.	1.80
01/08/14	DGB	Review information from D. Chittick; review and outline follow-up questions; prepare for meeting; review lien dispute information.	1.70
01/09/14	DGB	Prepare for and meeting with D. Chittick and S. Menages; review and work on notes from meeting and outline follow-up; review and respond to several emails; review documents and information.	4.30
01/09/14	DAS	Legal Research regarding Purchase Money Mortgage priority.	.20
01/10/14	DGB	Review, work on and respond to several emails; review several messages; review research and information; several telephone conversations with R. Miller; several telephone conversations with D. Chittick; outline issues, requirements and procedure.	4.80
01/12/14	DGB	Review and respond to emails; research requirements and procedure for Forbearance terms and fund restrictions; work on information and outline follow-up.	2.20

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

01/21/14	RGA	Conference with D. Schenck regarding forbearance agreement; review loan documents; work on draft of forbearance agreement.	1.00
01/22/14	DGB	Review, work on and respond to emails; several telephone conversations with D. Chittick; work on issues for Forbearance Agreement; work on additional documents and requirements; review notes and information from D. Chittick.	3.40
01/22/14	RGA	Work on draft of forbearance agreement.	.30
01/23/14	DGB	Review, work on and respond to several emails; work on Forbearance Agreement; telephone conversation with office of D. Chittick; revise Forbearance Agreement and add additional provisions and insert additional requirements from D. Chittick.	4.70
01/23/14	RGA	Finish draft of forbearance agreement.	1.80
01/23/14	DAS	Revisions to Forbearance Agreement.	2.60
01/24/14	RGA	Review and comment on forbearance agreement; telephone call to D. Schenck regarding changes.	.40
01/24/14	DAS	Additional revisions to Forbearance Agreement; attorney conference regarding same.	2.20
01/25/14	DGB	Review email from D. Chittick; outline questions for follow-up.	.20
01/26/14	DGB	Review, work on and respond to emails; work on and revise Forbearance Agreement; telephone conversation with office of D. Chittick; work on issues; outline additional documents and requirements needed to finish Forbearance Agreement; work on documents.	3.90
01/27/14	DGB	Review Forbearance Agreement for questions from D. Chittick; outline additional documents and follow-up; review information from office of R. Miller; work on follow-up issues.	.80
01/28/14	DGB	Review comments and suggestions for documentation to evidence Forbearance; work on same.	.20

01/29/14	DGB	Telephone conversation with D. Chittick regarding status, issues and timing for Forbearance Agreement; review and respond to emails; review documents, outline concerns and follow-up required.	1.20
01/30/14	DGB	Review and respond to emails; review DenSco documents and outline exposure until Forbearance Agreement is resolved; review emails.	1.20
01/31/14	DGB	Review, work on and respond to several emails; telephone conversation with office of D. Chittick; review documents and requirements to complete Forbearance.	1.10

$38,224.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	72.80 hours at	$440.00 =	$32,032.00
RGA	Robert G. Anderson	4.50 hours at	$350.00 =	$1,575.00
DAS	Daniel A. Schenck	17.10 hours at	$270.00 =	$4,617.00

Exhibit No. 21

CLARK HILL

David Beauchamp
T:480.684.1126
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dbeauchamp@Clarkhill.com

Clark Hill PLC
14850 N. Scottsdale Road
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Scottsdale, AZ 85254
T 480.684.1100
F 480.684.1199

clarkhill.com

March 14, 2014

Mr. Denny J. Chittick
DenSco Investment Corporation
6132 W. Victoria Place
Chandler, AZ 85226

Via E-Mail and US Mail
(dcmoney@yahoo.com)

Re: Work out of Lien Issue
Business Matters

Dear Denny:

Enclosed are the invoices for legal services provided by Clark Hill to DenSco Investment Corporation through the end of February. If you have any questions concerning either of these invoices, 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. Thank you for the recent payment. If you have any question or if we can assist you with any other matter(s), please let me know.

Sincerely,

David

David G. Beauchamp
CLARK HILL PLC

Enclosure(s)

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 # 533271

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

March 17, 2014
Client: 43820
Matter: 170082

RE: Work-out of lien issue

FOR SERVICES RENDERED through February 28, 2014

Total Services:	$30,266.00
INVOICE TOTAL	$30,266.00
TOTAL AMOUNT DUE	$30,266.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

02/03/14	DGB	Review, work on and respond to several emails; telephone call with D. Chittick regarding Forbearance Agreement, issues, procedure and strategy; review and work on Guaranty and Security Agreement.	2.60
02/04/14	DGB	Review, work on and respond to several emails; work on Guaranty and Security Agreement; review revisions to Forbearance Agreements from J. Goulder; telephone call with office of D. Chittick; detailed email to D. Chittick concerning revisions; prepare several detailed emails to D.Chittick regarding strategy and procedure.	3.90
02/05/14	DGB	Review, work on and respond to several emails; work on Guaranty; review underlying loan documents.	1.80
02/05/14	DAS	Review Deed of Trust for lien issues; prepare memo regarding findings.	1.20
02/06/14	DGB	Review, work on and respond to several emails and text messages; extended telephone call with D. Chittick regarding issues, revisions, strategy and procedure; work on and revise Forbearance Agreement; transmit revised agreement to D. Chittick.	4.20
02/06/14	DAS	Attorney conference regarding Guaranty Agreement; prepare draft of Guaranty Agreement.	1.90
02/07/14	DGB	Work on and revise Guaranty; review and respond to several emails; telephone call with D. Chittick; conference call with D. Chittick and S. Menaged; work on documents; several telephone calls with D. Chittick; work on and revise Forbearance Agreement and transmit revised agreement.	6.10

02/07/14	DAS	Prepare Security Agreement; Attorney conference with D. Deauchamp regarding negotiations of Forbearance;	1.70
02/08/14	DGB	Review information and work on Guarranty and Security Agreement.	1.20
02/09/14	DGB	Review and respond to several emails; work on Guaranty.	.80
02/10/14	DGB	Review, work on and respond to emails; telephone call with D. Chittick regarding revisions to Forbearance Agreement; work on revisions to Forbearance Agreement; work on Guaranty.	2.20
02/11/14	DGB	Extended telephone call with D. Chittick regarding revisions to Forbearance Agreement and disclosure to investors; research release and bankruptcy; review disclosure and requirements for updated disclosure to investors; work on issues; telephone call with D. Chittick; review revisions to Forbearance Agreement.	3.20
02/12/14	DGB	Work on Guaranty and Security Agreement; research concerning interim disclosure to investors due to Forbearance; research release and bankruptcy requirements.	2.10
02/13/14	DGB	Review and respond to several emails; work on and revise Forbearance Agreement; telephone call with D. Chittick; prepare email and transmit revised Forbearance Agreements; review research concerning release.	2.10
02/14/14	DGB	Review and respond to several emails; review issues from J. Goulder; research disclosure and requirements to advise investors; research restriction on release; work on issues and requirements.	2.70
02/15/14	DGB	Review and respond to several emails; telephone call with office of D. Chittick and leave detailed voicemail.	1.10

02/17/14	DGB	Review and respond to several emails; work on Guaranty and Security Agreement; work on forbearance requirements; review underlying loan documents for applicable terms.	1.90
02/18/14	DGB	Review, work on and respond to several emails; review notes and information to prepare for meeting; work on Forbearance Agreement and outline open issues; telephone call with D. Chittick regarding timing and issues.	2.90
02/19/14	DGB	Review, work on and respond to several emails; telephone call with D. Chittick; review notes, agreement and prepare for meeting.	1.90
02/20/14	DGB	Prepare for and meeting with D. Chittick, S. Menaged and J. Goulder; several telephone calls with D. Chittick regarding timing, issues and meeting; work on issues and follow-up from meeting; prepare detailed email for bankruptcy analysis.	5.80
02/20/14	WCP	Review and respond to emails regarding various guaranty issues	.20
02/21/14	DGB	Review emails and information; work on issues and arrange for legal research concerning issues; extended telephone call with D. Chittick regarding bankruptcy analysis, status information to investors, issues and procedure; telephone call with W. Price regarding bankruptcy issues; work on documents.	3.20
02/21/14	WCP	Teleconference with D. Beauchamp regarding matter status	.40
02/24/14	DGB	Telephone call with office of J. Goulder regarding documents and procedure; telephone call with D. Chittick regarding telephone call, issues, status, revisions to Forbearance Agreement, bankruptcy analysis and strategy; review and respond to emails from W. Price regarding bankruptcy analysis; review message from W. Price; review message and information from D. Chittick; review and work on agreement; research alternate structures.	4.20

02/25/14	DGB	Review revisions to Forbearance Agreement, cover letter and information from J. Goulder; telephone conversation with D. Chittick regarding changes to Forbearance Agreement, conversations with S. Menaged and procedure; work on issues, information and follow-up; text messages to D. Chittick; review and respond to detailed emails from D. Chittick; review bankruptcy analysis from W. Price.	3.20
02/26/14	DGB	Review revisions to Forbearance Agreement from J. Goulder; outline issues and questions; transmit revised document and work on bankruptcy issues with W. Price; review, work on and respond to several emails; outline issues; review and respond to several text messages with D. Chittick; telephone conversation with office of D. Chittick.	1.80
02/26/14	WCP	Review forbearance agreement (1.20); draft emails to D. Beauchamp regarding matter status and forbearance agreement issues (.20)	1.40
02/27/14	DGB	Review emails, information and outline issues; prepare for call to D. Chittick; extended telephone call with D. Chittick regarding alternate procedure for Forbearance, issues and procedure; write up notes and information; review revisions and work on Forbearance Agreement; research issues and procedure.	1.70
02/28/14	DGB	Review revisions to Forbearance Agreement; work on revisions; review emails; review information from D. Chittick; review bankruptcy analysis and information; work on questions for alternate structure.	3.40

$30,266.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	64.00 hours at	$440.00 =	$28,160.00
WCP	William C. Price	2.00 hours at	$405.00 =	$810.00
DAS	Daniel A. Schenck	4.80 hours at	$270.00 =	$1,296.00

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 # 533273

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

March 17, 2014
Client: 43820
Matter: 170145

RE: Business Matters

FOR SERVICES RENDERED through February 28, 2014

Total Services:	$1,571.00
INVOICE TOTAL	$1,571.00
TOTAL AMOUNT DUE	$1,571.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

02/20/14	RGA	Conference with D. Beauchamp regarding checklist issues. (0.3 no charge)	.30
02/21/14	RGA	Review standard loan documents and prepare closing checklist; prepare standard loan checklist.	2.10
02/26/14	DGB	Review and respond to emails from D. Chittick regarding Sheriff's sale of real property out of bankruptcy of owner of LLC Borrower; review and work on information; telephone conversation with office of D. Chittick.	.90
02/27/14	DGB	Review email and information from D. Chittick; review order for Sheriff's sale; outline questions and respond to D. Chittick; telephone call with D. Chittick regarding information needed and procedure; prepare and transmit email request for additional procedural information.	.60
02/28/14	DGB	Review information concerning bankruptcy Trustee and Sheriff's Sale; telephone call with office of D. Chittick regarding additional information.	.40

$1,571.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	1.90 hours at	$440.00 =	$836.00
RGA	Robert G. Anderson	0.30 hours at	$0.00 =	$0.00
RGA	Robert G. Anderson	2.10 hours at	$350.00 =	$735.00

Exhibit No. 22

Schenck
EXH. NO. 9
6-19-18
Kelly S. Oglesby CR 50178

CLARK HILL

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clarkhill.com

April 24, 2014

Mr. Denny J. Chittick
DenSco Investment Corporation
6132 W. Victoria Place
Chandler, AZ 85226

Via E-Mail and US Mail
(dcmoney@yahoo.com)

Re: Work out of Lien Issue
Business Matters

Dear Denny:

Enclosed are the invoices for legal services provided by Clark Hill to DenSco Investment Corporation through the end of March. If you have any questions concerning either of these invoices, 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.

Thank you for the recent payment!

Very Truly Yours,

David

David G. Beauchamp
CLARK HILL PLC

Enclosure(s)

CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500
Scottsdale, Arizona 85254
Telephone (480) 684-1100
Fed.ID # 38-0425840

INVOICE

Invoice # 538654
April 21, 2014
Client: 43820
Matter: 170082

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

RE: Work-out of lien issue

FOR SERVICES RENDERED through March 31, 2014

Total Services:	$46,353.00
INVOICE TOTAL	$46,353.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

03/03/14	DGB	Review emails and information from D. Chittick; telephone call with office of D. Chittick; research and work on issues from D. Chittick concerning disclosure requirements; telephone call with D. Chittick regarding disclosure requirements and information concerning advice to S. Menaged; work on revisions to Forbearance Agreement; outline issues to discuss with D. Chittick concerning disclosure requirements and effect on limitation of Confidentiality; work on issues.	5.30
03/04/14	DGB	Review notes, information from D. Chittick and work on revisions to Forbearance Agreement; research disclosure requirements to investors; research limitations on disclosure due to constraints in agreement; telephone call with office of D. Chittick; work on revisions to release provision and confidentiality provisions; work on information.	3.60
03/05/14	DGB	Review detailed email from D. Chittick; telephone call with office of D. Chittick; respond to email; review notes and work on revisions to Forbearance Agreement from J. Goulder; review required disclosure to investors and effect on Confidentiality provisions; review structure of loans and questions from D. Chittick; research disclosure and risk analysis for concentration of loans; work on open issues in Forbearance Agreement; work on revisions to Forbearance Agreement.	4.80

03/06/14	DGB	Review and respond to emails; research disclosure requirements and effect on Confidentiality provisions; research releases and review alternate strategies; work on revisions from J. Goulder to Forbearance Agreement; review notes from meetings and calls; review information from D. Chittick.	3.60
03/07/14	DGB	Review and respond to emails; extended telephone call with D. Chittick regarding status of open issues for Forbearance Agreement; review and respond to several text messages with D. Chittick; work on revisions from J. Goulder to Forbearance Agreements; transmit Forbearance Agreement with question ;work on information from D. Chittick.	5.40
03/10/14	DGB	Review, work on and respond to several emails; work on issues for Forbearance Agreement.	1.30
03/11/14	DGB	Review, work on and respond to emails; telephone call with office of D. Chittick; extended telephone call with D. Chittick regarding releases, waivers and key provisions; conference call with D. Chittick and S. Menaged regarding release, issues, waivers, confidentiality, required disclosure to investors, concentration of loans, workout loan, timing and issues to complete process; review and work on notes from conference call; work on revisions to Forbearance Agreement; telephone call with D. Chittick regarding follow-up; work on Forbearance Agreement and issues; review disclosure requirements and research extent of disclosure.	4.60
03/12/14	DGB	Review, work on and respond to emails; revise, work on and transmit Forbearance Agreement; several telephone calls with D. Chittick; work on issues from emails; conference call with D. Chittick and S. Menaged; work on notes, outline concerns and issues from D. Chittick and S. Menaged; work on revised structure of loans and confidentiality provision.	5.40

03/13/14	DGB	Review, work on and respond to several emails; telephone call with D. Chittick regarding Confidentiality and Note provisions in the Forbearance Agreement; prepare detailed email with draft confidentiality provision; work on emails and information from D. Chittick concerning changing the structure of loans, advances and provisions; work on revisions to Forbearance Agreement.	6.20
03/14/14	DGB	Review, work on and respond to emails; work on and revise Forbearance Agreement; work on and revise Confidentiality provisions; work on information from D. Chittick; review emails with comments from S. Menaged; work on and revise note provisions and Confidentiality provisions in Forbearance Agreement; transmit Forbearance Agreement; work on revisions to form of notes and issues.	5.80
03/17/14	DGB	Review, work on and revise several emails; work on additional revisions to Forbearance Agreement to address changes to loans and procedure; work on structure, references and requirements in Forbearance Agreements; outline questions and send to D. Chittick; telephone call with D. Chittick regarding revisions and procedure; work on further revisions to Forbearance Agreement and transmit same; work on and revise notes for Additional Loan and Additional Funds Loan; outline closing documents and revisions.	4.20
03/18/14	DGB	Review, work on and respond to several emails; rework provisions concerning Additional Loan and terms concerning Bank of America costs; revise Forbearance Agreement and transmit; work on notes and closing documents.	5.60

03/19/14	DGB	Review, work on and respond to several emails; work on additional revisions to Forbearance Agreement; restructure and work on provisions for Additional Loan and Additional Funds Loan; work on documents; work on and revise section concerning "no knowledge of claims" to remove implied reference to "fraud"; review agreement to confirm references to satisfy S. Menaged.	6.10
03/20/14	DGB	Review, work on and respond to several emails; work on and transmit revisions to Forbearance Agreement; review revisions; outline follow-up questions; work on guarantees and security agreement.	5.60
03/20/14	DAS	Prepare revised Guaranty.	1.70
03/21/14	DGB	Review, work on and respond to several emails; work on information for revisions to Forbearance Agreement and closing documents; work on documents; work on revisions to Forbearance Agreement; restructure form of guaranty and security agreement; work on documents.	3.80
03/24/14	DGB	Work on and revise Forbearance Agreement; transmit revised Forbearance Agreement; work on and revise Additional Funds Loan and Additional Loan documents; outline issues and follow-up; review and respond to emails; work on list of follow-up questions; work on Security Agreement and Guarantees; outline follow-up.	7.40
03/24/14	DAS	Prepare notes for Additional Loan and Additional Funds Loan.	3.80
03/25/14	DGB	Review, work on and respond to several emails; prepare list of questions for D. Chittick to finish closing documents and transmit same; work on revisions to closing documents; work on issues from Forbearance Agreement; review information from S. Menages concerning assets and prepare detailed questions for D. Chittick; work on revisions to the Additional Funds Note and the Additional Loan.	5.20

03/25/14	DAS	Revisions to Note for Additional Funds Loan.	1.50
03/26/14	DGB	Work on issues with D. Schenck for closing documents; work on revisions; review, work on and respond to several emails; telephone call with office of D. Chittick.	2.40
03/26/14	DAS	Multiple additional revisions to documents; add F. Menaged to documents; email documents.	6.20
03/27/14	DGB	Review and respond to emails; review final revisions and work on follow-up issues and procedure; list schedules and items for closing.	1.60
03/28/14	DGB	Review documents and outline requirements and issues for closing; work on closing documents for any additional requirements.	3.20
03/30/14	DGB	Review and respond to several emails concerning revisions and procedure to limit signatures of Scott's wife; outline agreement and follow-up.	1.10
03/31/14	DGB	Work on and revise Representation and Disclaimer Agreement; work on other closing documents; review and respond to several emails; revise and transmit Representation and Disclaimer Agreements; insert questions in agreement for D. Chittick.	2.90
03/31/14	DAS	Prepare Disclaimer and Representation Agreement regarding sale and separate property; revise other documents to remove spouse as a party; prepare redlines and email documents to client.	3.50

$46,353.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	95.10 hours at	$440.00 =	$41,844.00
DAS	Daniel A. Schenck	16.70 hours at	$270.00 =	$4,509.00

CLARK HILL
P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500
Scottsdale, Arizona 85254
Telephone (480) 684-1100
Fed.ID # 38-0425840

INVOICE

Invoice # 538655
April 21, 2014
Client: 43820
Matter: 170145

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

RE: Business Matters

FOR SERVICES RENDERED through March 31, 2014

Total Services:	$220.00
INVOICE TOTAL	$220.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

03/04/14	DGB	Review information and questions from D. Chittick concerning Sheriff's Sale.	.10
03/05/14	DGB	Review information from D. Chittick regarding Sheriff's Sale; review email.	.20
03/06/14	DGB	Review and respond to emails concerning Sheriff's Sale.	.10
03/07/14	DGB	Review information concerning Sheriff's Sale; telephone call with office of D. Chittick.	.10

$220.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	0.50 hours at	$440.00 =	$220.00

Exhibit No. 23

CLARK HILL

David Beauchamp
T:480.684.1126
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dbeauchamp@Clarkhill.com

Clark Hill PLC
14850 N. Scottsdale Road
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clarkhill.com

May 23, 2014

Mr. Denny J. Chittick
DenSco Investment Corporation
6132 W. Victoria Place
Chandler, AZ 85226

Via E-Mail and US Mail
(dcmoney@yahoo.com)

Re: Work out of Lien Issue
Business Matters
2003 Private Offering Memorandum

Dear Denny:

Enclosed are the invoices for legal services provided by Clark Hill to DenSco Investment Corporation through the end of April. If you have any questions concerning any of these invoices, 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(s)

CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500
Scottsdale, Arizona 85254
Telephone (480) 684-1100
Fed.ID # 38-0425840

INVOICE

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

Invoice # 543316
May 23, 2014
Client: 43820
Matter: 170082

==========

RE: Work-out of lien issue

FOR SERVICES RENDERED through April 30, 2014

Total Services:		$21,347.00

FOR EXPENSES INCURRED OR ADVANCED:

Filing Fees	$9.00	
Express Mail Services	$28.95	
Total Expenses:		$37.95

INVOICE TOTAL	$21,384.95

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

04/01/14	DGB	Review email from D. Chittick regarding Representation and Disclaimer Agreement; review emails and financial information; send questions to D. Chittick concerning financial status; review procedure to obtain information.	1.10
04/02/14	DGB	Review email from D. Chittick concerning Representation and Disclaimer Agreement; review information and questions from D. Chittick; outline follow-up; research justifiable reliance.	1.20
04/03/14	DGB	Review documents from D. Chittick; work through list of dates, exhibits and other items to be corrected; review and respond to several emails from D. Chittick; work on list for clean up documents for explanation; work on revisions to documents; outline clean up and issues.	3.20
04/03/14	DAS	Review of executed documents; notes regarding corrections and additional information needed; review of confidentiality provisions; prepare letter regarding same; revise all documents with correct dates, additional information and add counterpart language; revise notary acknowledgments.	6.80
04/04/14	DGB	Review Forbearance Agreement, Notes, Security Agreement, Guaranty and other closing documents; work through the documents to fill in the blanks, correct dates and update exhibits; review, work on and respond to several emails; prepare detailed emails with description of revisions, issues and procedure.	4.20
04/05/14	DGB	Review revisions, emails and prepare follow-up checklist.	.40

04/06/14	DGB	Review email from D. Chittick; respond to email with instructions for exchange of black-line revisions and procedure for approval of revisions and procedure for Representation and Disclaimer document.	.30
04/07/14	DGB	Review and work on documents and closing items for Forbearance Agreement; review information from D. Chittick; outline follow-up.	3.60
04/08/14	DGB	Work on outline for closing items for Forbearance Agreement.	.30
04/09/14	DGB	Review and respond to several emails from D. Chittick concerning Bank of America Risk Department and actions to freeze account; review email concerning status of review of revisions to Forbearance Agreement.	.50
04/10/14	DGB	Review emails and information to finish Forbearance Agreement; review notes and outline steps and procedure.	.60
04/11/14	DGB	Review, work on and respond to several emails; review revisions and work on instructions to transmit documents to D. Chittick for execution; review and respond to questions.	1.30
04/11/14	JAZ	Review and finalize Forbearance Agreement, Promissory Note $5 million, Promissory Note $1 million, Security Agreement, Guaranty Agreement and Representation and Disclaimer Agreement to aid in preparation of client review; prepare letter to client in regard to agreements.	1.40
04/12/14	DGB	Review and respond to emails from D. Chittick.	.20
04/13/14	DGB	Prepare emails to D. Chittick concerning documents, procedure for execution of documents, notary and steps.	.40

04/14/14	DGB	Review, work on and respond to emails concerning delay in execution of Forbearance Agreement, change in dates, calculations and balance due for Notes; review documents and outline revisions.	1.10
04/15/14	DGB	Review and respond to several emails and questions from D. Chittick concerning execution of documents, dates, information to be inserted, exhibits and procedure; review Notes and outline follow-up; respond to emails concerning life insurance company questions; work on follow-up.	3.60
04/16/14	DGB	Review and respond to several emails from D. Chittick.	.30
04/17/14	DGB	Review executed documents from D. Chittick; review emails and notes for exhibits to Notes and Forbearance Agreement; review documents and information from D. Chittick; verify calculations and exhibits; review documents for completion.	2.90
04/18/14	DGB	Review and respond to several emails concerning inconsistent numbers in Notes and in Exhibits; work on discrepancies with D. Schenck; review Notes, Forbearance Agreement and Exhibits; telephone call with office of D. Chittick regarding discrepancies; work to reconcile differences.	2.70
04/18/14	DAS	Review and reconciliation of loan work out documents and exhibits; attorney conference regarding same; prepare email to client regarding request or updates.	1.30
04/19/14	DGB	Review emails; review and work on Notes for Forbearance Agreement requirements; outline notes.	.70
04/21/14	DGB	Review notes, emails and Forbearance Agreement requirements; work on and outline follow-up.	1.20
04/21/14	DAS	Attorney conference regarding UCC lien; legal research regarding statutory definitions.	.30

04/22/14	DGB	Review and respond to several emails from D. Chittick regarding Life Insurance policy; review notes concerning follow-up to finish Forbearance Agreement and requirements; outline follow-up.	.90
04/23/14	DGB	Telephone call with office of D. Chittick regarding exhibits, issues and follow-up for Forbearance documents; review information from D. Chittick.	.50
04/24/14	DGB	Review and respond to emails from D. Chittick; extended telephone call with D. Chittick regarding revisions to principal outstanding under Notes to comply with exhibits and calculations; work on revisions.	1.40
04/25/14	DGB	Review and revise documents to correct numbers for exhibits; work on information and exhibits; review and respond to emails; prepare detailed emails with instructions and transmit revised pages; outline follow-up; telephone call with office of D. Chittick; review additional security/protection questions from D. Chittick ; prepare email to D. Chittick.	4.60
04/26/14	DGB	Outline questions, issues and follow-up for additional protection if S. Menaged should die or become incapacitated.	.30
04/27/14	DGB	Review notes and research "Liquidating Trustee" , "Alternative Manager" and other procedures to provide additional protection for DenSco.	1.20
04/28/14	DGB	Review, work on and respond to several emails; review Borrower entity documents and outline provisions for transition authority in the event of death or disability of S. Menaged; review corporate records at AZ Corporation Commission; continue research concerning conflicting fiduciary duties for "Alternative Manager" and structure; review documents; prepare and send emails.	3.30

04/29/14	DGB	Review emails and research notes; telephone call with D. Chittick regarding issues and procedure to finish documents and provide for "Alternative Manager."	.30
04/30/14	DGB	Work on issues to restructure Borrower entities to cause liquidation upon death or incapacity of S. Menaged.	.60

$21,347.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	42.90 hours at	$440.00 =	$18,876.00
DAS	Daniel A. Schenck	8.40 hours at	$270.00 =	$2,268.00
JAZ	Jessica A. Zaporowski	1.40 hours at	$145.00 =	$203.00

CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500
Scottsdale, Arizona 85254
Telephone (480) 684-1100
Fed.ID # 38-0425840

INVOICE

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

Invoice # 543312
May 23, 2014
Client: 43820
Matter: 166603

RE: 2003 Private Offering Memorandum

FOR SERVICES RENDERED through April 30, 2014

Total Services:	$616.00
INVOICE TOTAL	$616.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

CLARK HILL P.L.C.

DenSco Investment Corporation
2003 Private Offering Memorandum
May 23, 2014
INVOICE # 543312
Page 2

DETAILED DESCRIPTION OF SERVICES

04/24/14	DGB	Telephone call with D. Chittick regarding work out loan balances , reduction in loans and disclosure update.	.20
04/25/14	DGB	Outline revisions and issues for revision to Private Offering Memorandum.	.40
04/29/14	DGB	Outline issues and information for inclusion in Private Offering memorandum update.	.40
04/30/14	DGB	Review notes and revise description for Private Offering Memorandum update.	.40

$616.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	1.40 hours at	$440.00 =	$616.00

CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N. Scottsdale Road, Suite 500
Scottsdale, Arizona 85254
Telephone (480) 684-1100
Fed.ID # 38-0425840

INVOICE

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

Invoice # 543317
May 23, 2014
Client: 43820
Matter: 170145

RE: Business Matters

FOR SERVICES RENDERED through April 30, 2014

Total Services:	$352.00
INVOICE TOTAL	$352.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

04/21/14	DGB	Review detailed email concerning refunding investment to investor; email to D. Chittick; review follow-up information from D. Chittick.	.50	
04/23/14	DGB	Review extended email from D. Chittick concerning status with G. Thompson.	.20	
04/24/14	DGB	Review email from D. Chittick; telephone call with D. Chittick regarding status with G. Thompson.	.10	
				$352.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	0.80 hours at	$440.00 =	$352.00

Exhibit No. 24

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 25, 2014

Mr. Denny J. Chittick
DenSco Investment Corporation
6132 W. Victoria Place
Chandler, AZ 85226

Via E-Mail and US Mail
(dcmoney@yahoo.com)

Re: Work out of Lien Issue
Business Matters
2003 Private Offering Memorandum

Dear Denny:

Enclosed are the invoices for legal services provided by Clark Hill to DenSco Investment Corporation through the end of May. If you have any questions concerning any of these invoices, 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(s)

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 # 547289

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

June 19, 2014
Client: 43820
Matter: 170082

==========

RE: Work-out of lien issue

FOR SERVICES RENDERED through May 31, 2014

Total Services:			$1,742.00
INVOICE TOTAL			$1,742.00
05/23/14	543316	$21384.95	
Outstanding Balance:			$21,384.95
TOTAL AMOUNT DUE			$23,126.95

==========

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

05/01/14	DAS	Legal research regarding liquidating trustee in event of death of sole member of LLC.	.60
05/02/14	DGB	Work with D. Schenck concerning "Alternative Manager" procedure and issues; email to D. Chittick regarding safe procedure; review email from D. Chittick.	.70
05/02/14	DAS	Prepare email regarding restructure to Borrower's entities to install substitute manager.	.80
05/14/14	DGB	Review, work on and respond to several emails; work on and forward emails with instructions for the information/confirmation needed from D. Chittick and S. Menaged.	1.10
05/15/14	DGB	Review, work on and prepare detailed email for the information/confirmation emails needed from D. Chittick and S. Menage.	1.30

$1,742.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	3.10 hours at	$440.00 =	$1,364.00
DAS	Daniel A. Schenck	1.40 hours at	$270.00 =	$378.00

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 # 547291

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

June 20, 2014
Client: 43820
Matter: 170145

==========

RE: Business Matters

FOR SERVICES RENDERED through May 31, 2014

Total Services:			$0.00
INVOICE TOTAL			$0.00
05/23/14	543317	$352.00	
Outstanding Balance:			$352.00
TOTAL AMOUNT DUE			$352.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

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 # 547290

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

June 19, 2014
Client: 43820
Matter: 166603

==========

RE: 2003 Private Offering Memorandum

FOR SERVICES RENDERED through May 31, 2014

Total Services:			$6,559.00
INVOICE TOTAL			$6,559.00
05/23/14	543312	$616.00	
Outstanding Balance:			$616.00
TOTAL AMOUNT DUE			$7,175.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

05/08/14	DAS	Revise Private Offering Memorandum; notes and legal research regarding same.	5.10
05/09/14	DAS	Additional revisions to Private Offering Memorandum.	4.30
05/12/14	DAS	Additional legal research and revisions to Private Offering Memorandum.	1.80
05/13/14	DGB	Review research concerning Dodd Frank legislation and regulations for state registration concerning investment fund manager.	.60
05/13/14	DAS	Extensive legal research regarding Dodd Frank amendments to Investment Advisers Act and private fund adviser exemption.	4.10
05/14/14	DGB	Review revisions to POM and work on same.	.50
05/14/14	DAS	Additional revisions to Private Offering Memorandum; finish first draft.	7.20

$6,559.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	1.10 hours at	$440.00 =	$484.00
DAS	Daniel A. Schenck	22.50 hours at	$270.00 =	$6,075.00

Exhibit No. 25

CLARK HILL

David Beauchamp
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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 16, 2014

Mr. Denny J. Chittick
DenSco Investment Corporation
6132 W. Victoria Place
Chandler, AZ 85226

Via E-Mail and US Mail
(dcmoney@yahoo.com)

Re: Work out of Lien Issue

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 # 550358

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

July 11, 2014
Client: 43820
Matter: 170082

RE: Work-out of lien issue

FOR SERVICES RENDERED through June 30, 2014

Total Services:			$3,242.00
INVOICE TOTAL			$3,242.00
06/19/14	547289	$1742.00	
Outstanding Balance:			$1,742.00
TOTAL AMOUNT DUE			$4,984.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

06/11/14	DGB	Review and respond to multiple emails; transmit information to D. Chittick.	.30
06/11/14	DAS	Attorney conference regarding updates to Forbearance documents; review correspondence regarding same; prepare Authorization form.	3.20
06/12/14	DGB	Review and respond to several emails with D. Chittick; assemble information for authorization; review and revise draft; review revisions to documents to confirm procedure.	1.10
06/12/14	DAS	Revisions to Authorization form; attorney conference regarding same.	1.90
06/13/14	DGB	Review information to evidence approval of clean up changes.	.20
06/13/14	DAS	Revise Authorization form and prepare new slip sheets for updated figures; attorney conference regarding Authorization form; prepare instruction letter to client.	4.30

$3,242.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	1.60 hours at	$440.00 =	$704.00
DAS	Daniel A. Schenck	9.40 hours at	$270.00 =	$2,538.00

Exhibit No. 26

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 20, 2014

Mr. Denny J. Chittick
DenSco Investment Corporation
6132 W. Victoria Place
Chandler, AZ 85226

Via E-Mail and US Mail
(dcmoney@yahoo.com)

Re: Work out of Lien Issue

Dear Denny:

Enclosed is the invoice for legal services provided by Clark Hill to DenSco Investment Corporation through the end of July. 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 # 555521

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

August 19, 2014
Client: 43820
Matter: 170082

==========

RE: Work-out of lien issue

FOR SERVICES RENDERED through July 31, 2014

Total Services:	$1,021.00
INVOICE TOTAL	$1,021.00
TOTAL AMOUNT DUE	$1,021.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

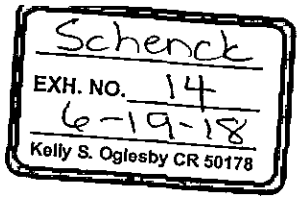
07/10/14	DGB	Review notes for numbers used in revised documents.	.20
07/10/14	DAS	Review of slip sheeted Forbearance documents; research regarding exhibits.	1.30
07/15/14	DGB	Review, work on and respond to several emails; review documents, spread sheets and outline issues and additional schedule needed. (0.6 reviewing file-NO CHARGE)	1.20
07/15/14	DAS	Multiple correspondence regarding loan balance spreadsheets.	.20

$1,021.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	1.40 hours at	$440.00 =	$616.00
DAS	Daniel A. Schenck	1.50 hours at	$270.00 =	$405.00

Exhibit No. 27



CLARK HILL

David Beauchamp
T 480.684.1126
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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

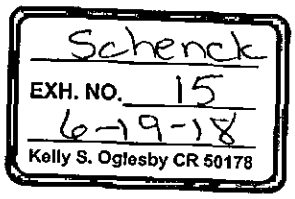
03/18/16	DGB	Review and respond to email from D. Chittick; review ADFI letter.	.30
03/21/16	DGB	Review file and information concerning previous response to Arizona Department of Financial Institute.	.20
03/23/16	DGB	Review files and background information; review research notes and emails; review and 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

Exhibit No. 28



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

Exhibit No. 29

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

Exhibit No. 30

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

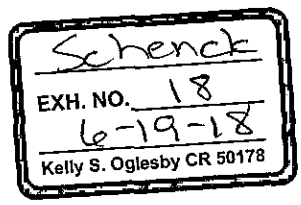
06/02/16	DGB	Review and respond to emails; prepare, work on and revise detailed response to ADFI and send to D. Chittick for approval; work on information to submit to ADFI.	2.60
06/03/16	DGB	Review and respond to several emails concerning supplemental filing with ADFI; attach exhibits and file response.	.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 No. 31



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

September 15, 2016

DenSco Investment Corporation
Attn: Peter Davis, Receiver
Simon Consulting
3200 N. Central Avenue, Suite 2460
Phoenix, AZ 85012

Via E-Mail and US Mail
(pdavis@simonconsulting.net)

Re: DenSco Wind Down

Dear Peter:

Enclosed is the invoice for legal services provided by Clark Hill to DenSco Investment Corporation through the end of August regarding the wind down of the business. Also enclosed are copies of the previous invoices to DenSco which remain outstanding. If you have any questions concerning these invoice, please contact me to discuss.

Very Truly Yours,

David G. Beauchamp

David G. Beauchamp
CLARK HILL PLC

Enclosure

CLARK HILL

P.L.C.

ATTORNEYS AT LAW

14850 N Scottsdale Road, Suite 500
Scottsdale, Arizona 85254
Telephone (480) 684-1100
Fed.ID # 38-0425840

INVOICE

Invoice # 670634
September 12, 2016
Client: 43820
Matter: 307376

DenSco Investment Corporation
Attn: Peter Davis, Receiver
Simon Consulting
3200 N. Central Avenue
Suite 2460
Phoenix, AZ 85012

RE: Business Wind Down

FOR SERVICES RENDERED through August 31, 2016

Total Services:	$73,968.00
INVOICE TOTAL	$73,968.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

08/01/16	DGB	Review emails, documents, information and chronology of events; telephone call with R. Koehler; several telephone calls with S. Heuer; prepare for and meeting with S. Heuer and R. Koehler regarding events, issues, procedure and requirements; review documents and information; outline follow up and procedure; review email instructions from D. Chittick; outline issues and follow up; review information from DenSco's files; work on follow up.	8.10
08/02/16	DGB	Review, work on and respond to several emails and text messages; review notes, information from S. Heuer and work on information; meeting with S. Heuer and review documents and information; review Menaged Bankruptcy Docket information and requirements; work on information for status email to Investors; outline email and research information for email; work on requirements and outline procedure for compliance; several telephone calls with S. Heuer regarding information and procedure; telephone call with office of R. Koehler.	6.70
08/03/16	DGB	Review, work on and respond to several emails and text messages; review notes and information from S. Heuer and R. Koehler regarding information for update to Investors; work on and prepare detailed update to Investors; extended telephone call with G. Clapper at AZ Securities Division; several telephone calls with R. Koehler; several telephone calls with S. Heuer regarding updated email to Investors, issues and procedure; review message from Y. Fielding; telephone call with Y. Fielding regarding Investor information; work on and revise detailed update to Investors; transmit detailed update.	7.80

08/04/16	DGB	Review, work on and respond to several emails and text messages; extended telephone call with S. Heuer regarding new information from Investors and AZ Securities Division; work on information for Investors, procedure and requirements; review message from K. Johnson; telephone call with K. Johnson regarding status of Statutory Agent, notices and requirements; review correspondence from W. Coy of AZ Securities Division; work on information from DenSco files; work on information from Investors; outline questions to address.	8.80
08/05/16	DGB	Review, work on and respond to several emails and text messages; review documents and work on issues and information; several telephone calls with W. Coy regarding background information, requirements, procedure and status of Menaged Bankruptcy, issues and procedure; extended telephone call with S. Heuer regarding DenSco documents, files and information; telephone call with W. Ledut regarding status and procedure for investors; prepare detailed status email to all Investors; work on and revise email; transmit same.	8.40
08/06/16	DGB	Review, work on and respond to several emails and text messages; review messages; review documents and information from Investors; review DenSco files; relay information to Investors from DenSco files.	2.40
08/07/16	DGB	Review, work on and respond to several emails and text messages; review messages; review documents and information from Investors; review information from DropBox.	2.90
08/08/16	DGB	Review, work on and respond to several emails and text messages; review several messages; several telephone calls with L. Shultz and other investors concerning procedure to take action against S. Menaged; review Subpoena from AZ Securities Division; forward Subpoena to required parties; review Subpoena and outline information and sources to obtain information for Subpoena; prepare for and extended telephone call with W. Coy regarding Subpoena,	9.60

		Wednesday meeting, issues and procedure; prepare detailed email update to Investors to respond to questions and provide update.	
08/09/16	DGB	Review, work on and respond to several emails and text messages; prepare for meeting with AZ Securities Division; work on issues and outline follow up; review messages; review detailed message from C. Gorman regarding selection of Receiver, Menaged Bankruptcy; extended telephone call with C. Gorman regarding possible Receivership; several telephone calls with K. Merritt; telephone call with P. Erbland; work on questions from Investors and respond to Investors via email; work on information and questions to discuss concerning Subpoena with AZ Securities Division; review files and information.	7.80
08/10/16	DGB	Review, work on and respond to several emails and text messages; review several messages; prepare for and meeting with S. Heuer regarding preparations for meeting with AZ Securities Division; prepare and transmit letter to W. Coy regarding response to Subpoena; review messages from S. Heuer; several telephone calls with S. Heuer regarding DenSco boxes and procedure, issues for meeting and schedule; meeting with S. Heuer; meeting with W. Coy, G. Clapper and B. Woerner (with S. Heuer on phone) to discuss issues, background, Receivership, cash, interim instructions, Subpoena and procedure; review and work on boxes; review filings from Menaged Bankruptcy.	9.50
08/11/16	DGB	Review, work on and respond to several emails and text messages; review documents and information for loan payoffs; review files, documents and work on information for response to Subpoena; conference call with S. Heuer, J. Polese and K. Merritt regarding documents, privilege log and procedure; telephone call with R. Koehler regarding information for loan payoff, procedure and requirements for DenSco boxes in possession of R. Koehler; review Menaged Bankruptcy docket and issues; review documents from Bankruptcy affecting DenSco; review messages for loan payoffs..	7.90

08/12/16	DGB	Review, work on and respond to several emails and text messages; review documents and information; review message from W. Coy; telephone call with W. Coy regarding procedure for Receiver, issues and requirements; conference call with J. Polese and K. Merritt regarding procedure with DenSco boxes, response to Subpoena from AZ Securities Division, possible receivables and requirements and status of Investor files; review message from G. Clapper; review message from B. Edwards of MainStar Trust; telephone call with office of B. Edwards; review detailed message from K. Merritt; review message from office of J. Polese; telephone call with office of K. Merritt; coordinate and work with the transfer of DenSco boxes; review correspondence from J. Polese; review and respond to questions from Investors vial email; work on loan payoff information.	8.90
08/13/16	DGB	Review email; telephone call with K. Merritt regarding delivery of D. Chittick's computer, additional files, DenSco mail and documents; review information and outline follow up.	.50
08/14/16	DGB	Review, work on and respond to several emails; work on information concerning loan payoffs; review several emails from Investors and respond to same.	.90
08/15/16	DGB	Review, work on and respond to several emails and text messages; review and work on documents and information; review messages and information concerning loan pay-offs; several telephone conversations with borrowers, escrow agents and real estate agents; work on information for loan pay-offs; review files and documents; work on information and issues for response to subpoena from AZ Securities Division; review message from K. Merritt; telephone call with office of K. Merritt; arrange for transfer of D. Chittick's computer; review message from G. Clapper; telephone call with G. Clapper regarding Forbearance Agreement; arrange for copy for G. Clapper.	5.90

08/16/16	DGB	Review, work on and respond to several emails and text messages; review messages; several telephone conversations with escrow agents, title officers, real estate agents and borrowers; review files and documents; work on information and issues for response to Subpoena from AZ Securities Division; telephone call with office of R. Koehler regarding payoff calculation; review question from Investor and respond; review notes and information from B. Luchtel; telephone call with B. Luchtel.	4.20
08/17/16	DGB	Review, work on and respond to several emails and telephone messages; review messages; several telephone calls with escrow agents, borrowers and real estate agents; work on and revise Declaration; review POM and file documents to confirm information for Declaration; sign and transmit Declaration; several telephone calls with G. Clapper and W. Coy; conference call with J. Polese and K. Merritt RE: motion for and hearing to appoint receiver; review documents; work on issues and information concerning response to subpoena from AZ Securities Division; review message from L. Schultz; several telephone calls with L. Schultz regarding loan payoffs, issues and procedure; follow up with emails; review messages from B. Edwards; telephone call with office of B. Edwards; review message form M. Blackbird regarding loan payoffs; several telephone calls with M. Blackbird regarding loan payoffs; telephone call with R. Koehler regarding loan payoffs; review message from P. Crawford; telephone call with K. Merritt regarding loan payoffs and information; telephone call with P. Crawford regarding Deeds of Release and documentation for release.	11.70
08/18/16	DGB	Review, work on and respond to several emails and text messages; review messages; several telephone calls with W. Coy and G. Clapper regarding information for hearing; travel to and attend hearing; work with G. Clapper concerning loan files; discuss issues and procedure with W. Coy; meeting with K. Merritt to discuss attorney-client privilege log and response to subpoena from AZ Securities Division; work on issues and	12.50

		information for response to subpoena; several telephone calls with T. Hall regarding documentation for release of loan escrow; review loan files; insert loan payoff information from R. Koehler and transmit payoff information; review documents and information from W. Coy.	
08/19/16	DGB	Review, work on and respond to several emails from Investors, borrowers and third parties; review several messages; several telephone calls with escrow agents, borrowers and real estate agents concerning loan payoffs, issues and procedure; review files and documents; work on information concerning response to subpoena from AZ Securities Division; telephone call with R. Anderson regarding representation of Receiver; prepare email with introduction to R. Koehler and to escrow agents; work on loan payoff information for escrows to close; telephone call with office of K. Merritt; review files for information for K. Merritt and W. Coy.	6.80
08/20/16	DGB	Review, work on and respond to several emails; review files and documents; work on information concerning response to subpoena from AZ Securities Division; work on information concerning borrower loans.	2.60
08/21/16	DGB	Review, work on and respond to several emails; work on information concerning response to Subpoena from AZ Securities Division; work on information concerning borrower loans.	1.60
08/22/16	DGB	Review, work on and respond to several emails; review several messages; telephone calls with Escrow Agents, Real Estate Agents, borrowers and Title Company staff regarding loan pay offs, issues and procedure; review files and documents; work on information concerning response to Subpoena from AZ Securities Division; review several messages from M. Blackford; several telephone calls with M. Blackford; review message from D. Woods;	5.60

		telephone call with office of D. Woods; telephone call with D. Woods regarding loan pay offs for DenSco; review message from K. Merritt; work on loan pay offs information; telephone call with office of D. Jackman; work on documents from files for K. Merritt.	
08/23/16	DGB	Review, work on and respond to several emails; review several messages; several telephone calls with Escrow Agents, borrowers and real estate agents regarding loan pay offs, issues and procedure; review file and documents; work on information requested by Receiver, other attorneys and for response to Subpoena from AZ Securities Division; telephone call with D. Jackman regarding loan pay off procedure; review several messages from D. Woods; telephone call with D. Woods; review message from M. Blackford; telephone call with M. Blackford; review message from Sara (Simon Consulting) regarding pick up of boxes; coordinate same; forward loan pay off requests to C. Schmidt; review files to confirm information requested.	6.60
08/24/16	DGB	Review, work on and respond to several emails; review messages from borrowers, escrow agents and real estate agents; send emails to direct them to office of Receiver's counsel; review and work on notes concerning response to Subpoena from AZ Securities Division.	1.60
08/25/16	DGB	Review, work on and respond to several emails; review messages; several telephone calls with borrowers, escrow agents and real estate agents; review and work on files and information to respond to Subpoena from AZ Securities Division.	2.20
08/26/16	DGB	Review, work on and respond to several emails; review draft pleadings and proposed order from R. Anderson; review messages; review and work on files, documents and information for Receiver and to respond to Subpoena from AZ Securities Division.	3.80

08/27/16	DGB	Review email and information concerning police report and information for Receiver; review information concerning 341 Hearing.	.40
08/29/16	DGB	Review telephone message from borrower; review, work on and respond to emails; forward borrower information to C. Schmidt; review, work on and respond to several emails; review correspondence and pleadings from R. Anderson; review information form J. Polese and K. Merritt; review emails and questions from Investors.	2.10
08/30/16	DGB	Review messages from Stewart Title regarding loan payoff; telephone call with K. Wettering regarding loan payoff issues and procedure; review email and forward to C. Schmidt; review message from K. Merritt; telephone call with office of K. Merritt; work on files for transmittal to Receiver; discuss issues and procedure with M. Sifferman; review, work on and respond to several emails; telephone call with K. Merritt regarding email, issues and procedure for privilege log; review Proposed Administrative Procedure Order; review emails and forward links to K. Merritt regarding Active Funding Group and partners of S. Menaged.	2.10
08/31/16	DGB	Review message from title company concerning loan payoff; telephone call with T. Hall regarding same; work on information for file transition.	.90

$73,968.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	160.80 hours at	$460.00 =	$73,968.00

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

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 # 666138

DenSco Investment Corporation
Attn: Denny Chittick
6132 W. Victoria Place
Chandler, AZ 85226

August 10, 2016
Client: 43820
Matter: 170145

RE: Business Matters

FOR SERVICES RENDERED through July 31, 2016

Total Services:	$414.00
INVOICE TOTAL	$414.00

07/22/16	663658	$1886.00

Outstanding Balance:	$1,886.00
TOTAL AMOUNT DUE	$2,300.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

07/30/16	DGB	Telephone call with R. Koehler and S. Heuer regarding transition after death of D. Chittick; review records and obligations.	.10
07/31/16	DGB	Review and respond to several emails concerning meeting and questions; review and respond to emails from S. Heuer regarding notice to investors.	.80

$414.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	0.90 hours at	$460.00 =	$414.00

Exhibit No. 32

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

October 20, 2016

DenSco Investment Corporation
Attn: Peter Davis, Receiver
Simon Consulting
3200 N. Central Avenue, Suite 2460
Phoenix, AZ 85012

Via E-Mail and US Mail
(pdavis@simonconsulting.net)

Re: DenSco Wind Down

Dear Peter:

Enclosed is the invoice for legal services provided by Clark Hill to DenSco Investment Corporation through the end of September regarding the wind down of the business.

If you have any questions concerning these invoice, please contact me to discuss.

Very Truly Yours,

David G. Beauchamp

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 # 677709

DenSco Investment Corporation
Attn: Peter Davis, Receiver
Simon Consulting
3200 N. Central Avenue
Suite 2460
Phoenix, AZ 85012

October 18, 2016
Client: 43820
Matter: 307376

RE: Business Wind Down

FOR SERVICES RENDERED through September 30, 2016

Total Services:			$598.00
INVOICE TOTAL			$598.00
09/12/16	670634	$73968.00	
Outstanding Balance:			$73,968.00
TOTAL AMOUNT DUE			$74,566.00

PAYABLE UPON RECEIPT IN U.S. DOLLARS

DETAILED DESCRIPTION OF SERVICES

09/05/16	DGB	Review and work on files for transition (1.8 no charge); telephone call with K. Merritt regarding Common Sense Agreement; attorney-client review of documents and procedure (0.5 no charge).	.10
09/08/16	DGB	Work on information and procedure for transition of files to Receiver; discuss issues and procedure with M. Sifferman (2.8 no charge).	.10
09/09/16	DGB	Review and respond to emails from M. Blackford and escrow agent (0.3); review and work on files for file transition (1.7 no charge).	.30
09/10/16	DGB	Review and respond to email from M. Blackford regarding loan payoff (0.1); review and work on files for transition (2.1 no charge).	.10
09/12/16	DGB	Review and respond to email from S. Beretta in Receiver's office (0.2); review and respond to email from K. Merritt regarding files for review; several telephone calls with K. Merritt regarding regarding files for review for attorney-client information; work on file transition (3.2 no charge).	.20
09/13/16	DGB	Review files and confirm information of Receiver; review and respond to email from S. Beretta in Receiver's Office.	.70
09/13/16	DGB	Work on files for transition (2.1 no charge).	.10
09/14/16	DGB	Conference call with S. Beretta in office of P. Davis (0.1 no charge); extended conference call with K. Merritt regarding attorney-client issues and procedure with Clark Hill files; prepare for conference call with P. Davis and work on file transition (1.5 no charge).	.10

09/15/16	DGB	Review files information and work on transfer of files (3.2 no charge).	.10
09/16/16	DGB	Review emails and correspondence; telephone call with R. Anderson regarding issues concerning requirements for transmittal of files and prior obligations under AZ Securities Division subpoena; review emails concerning Common Sense Agreement and Attorney-Client issues (1.6 no charge).	.10
09/23/16	DGB	Review and respond to several emails concerning procedure for Attorney-Client review of files (1.2 no charge).	1.20

$598.00

TIMEKEEPER SUMMARY

DGB	David G. Beauchamp	1.80 hours at	$0.00 =	$0.00
DGB	David G. Beauchamp	1.30 hours at	$460.00 =	$598.00

Exhibit No. 33

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

May 7, 2013
Invoice # 10201604
Client # C068584

Payment is due upon Receipt

STATEMENT OF ACCOUNT

BALANCE FORWARD:

Balance per Statement Dated September 19, 2012	$	141.00	
Payments and Other Credits		(141.00)	
BALANCE FORWARD		$	0.00

CURRENT CHARGES FOR MATTER:

File #0219815
General Corporate

Fees for Legal Services	$	2,937.00	
Expenses and Other Charges		38.60	
TOTAL CHARGES THIS INVOICE		$	2,975.60
STATEMENT TOTAL		$	2,975.60

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 April 30, 2013

File #0219815
General Corporate

03/28/13	D. G. Beauchamp	0.30	Review email and attachment concerning landlord liability claim; outline follow up for G. B. Iannelli.
04/02/13	D. G. Beauchamp	0.60	Review message from D. Chittick; telephone conference with D. Chittick; work on and revise correspondence; transmit to D. Chittick.
04/02/13	G. B. Iannelli	1.10	Draft settlement agreement and letter to counsel for J. Pinckney regarding settlement.
04/03/13	D. G. Beauchamp	0.90	Review and respond to emails; work on and revise letter to R. Sanders and draft Settlement Agreement and Release; transmit drafts to D. Chittick; revise documents with information from D. Chittick.
04/03/13	G. B. Iannelli	1.10	Draft settlement agreement and release.
04/04/13	D. G. Beauchamp	1.10	Work on and revise cover letter and Settlement Agreement and Release; transmit letter to R. Sanders; review message from R. Sanders; email drafts to client for approval.
04/05/13	D. G. Beauchamp	0.20	Review message from R. Sanders; telephone conference with office of R. Sanders.
04/08/13	D. G. Beauchamp	0.30	Review message from R. Sanders; telephone conference with office of R. Sanders; prepare email to D. Chittick; review response; telephone conference with office of R. Sanders.
04/11/13	D. G. Beauchamp	0.40	Work on and transmit correspondence to R. Sanders to arrange for exchange; telephone conference with R. Sanders regarding exchange check for settlement agreement and procedure.
04/12/13	D. G. Beauchamp	0.40	Letter to R. Sanders to exchange check for signed settlement agreement; forward settlement agreement to D. Chittick; review message from R. Sanders.
04/16/13	D. G. Beauchamp	0.20	Forward letters to D. Chittick.

Total Hours	6.60		
Total Fees for Legal Services		$	2,937.00

EXPENSES AND OTHER CHARGES

Copy Charges		1.00
Local Delivery - External Service		37.60
Total Expenses and Other Charges	$	38.60

TOTAL CHARGES FOR THIS MATTER	$	2,975.60

EMPLOYER IDENTIFICATION NUMBER: 43-0602162

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

May 7, 2013
Invoice# 10201604
Client# C068584
Matter#.0219815

REMITTANCE ADVICE

BALANCE FORWARD:			
Balance per Statement Dated September 19, 2012	$	141.00	
Payments and Other Credits		(141.00)	
BALANCE FORWARD		$	0.00
CURRENT CHARGES			
Fees for Legal Services	$	2,937.00	
Expenses and Other Charges		38.60	
TOTAL CHARGES THIS INVOICE		$	2,975.60
STATEMENT TOTAL		$	2,975.60

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 No. 34

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

June 17, 2013
Invoice # 10215113
Client # C068584

Payment is due upon Receipt

STATEMENT OF ACCOUNT

BALANCE FORWARD:			
Balance per Statement Dated	$	0.00	
Payments and Other Credits		0.00	
BALANCE FORWARD		$	0.00
CURRENT CHARGES FOR MATTER:			
File #0352992			
2013 Private Offering Memorandum			
Fees for Legal Services	$	2,989.00	
TOTAL CHARGES THIS INVOICE		$	2,989.00
STATEMENT TOTAL		$	2,989.00

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.

For Legal Services Rendered Through May 31, 2013

File #0352992
2013 Private Offering Memorandum

05/01/13	D. G. Beauchamp	0.50 hrs.	245.00	Review and respond to several emails with D. Chittick concerning issues and update; outline notes and follow-up.
05/02/13	D. G. Beauchamp	0.60 hrs.	294.00	Review and respond to emails; review file and assemble documents and information; outline questions.
05/08/13	D. G. Beauchamp	0.60 hrs.	294.00	Review draft Private Offering Memorandum and outline questions.
05/09/13	D. G. Beauchamp	3.60 hrs.	1,764.00	Review file and prepare for meeting; travel to and meeting with D. Chittick to update private offering memorandum and to verify current information; work on notes and outline follow-up.
05/10/13	D. G. Beauchamp	0.40 hrs.	196.00	Work on issues and follow-up.
05/31/13	D. G. Beauchamp	0.40 hrs.	196.00	Work on issues and information for Private Offering Memorandum.

Total Hours 6.10

Total Fees for Legal Services $ 2,989.00

TOTAL CHARGES FOR THIS MATTER $ 2,989.00

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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

June 17, 2013
Invoice# 10215113
Client# C068584
Matter# 0352992

REMITTANCE ADVICE

BALANCE FORWARD:			
Balance per Statement Dated	$	0.00	
Payments and Other Credits		0.00	
BALANCE FORWARD		$	0.00
CURRENT CHARGES			
Fees for Legal Services	$	2,989.00	
TOTAL CHARGES THIS INVOICE		$	2,989.00
STATEMENT TOTAL		$	2,989.00

PAYMENT INSTRUCTIONS

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

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St. Louis, MO 63101
Routing 081000032
Account # 00101007976

Wire Instructions:
Wire to: Bank of America
One Bank of America Plaza
St. Louis, MO 63101
ABA #0260-0959-3
Account # 00101007976

Swift Codes:
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Exhibit No. 35

BRYAN CAVE

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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

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Routing #081000032
Account # 100101007976

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St. Louis, MO 63101
ABA #0260-0959-3
Account # 100101007976

Swift Codes:
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BOFAUS6S (incoming Non-US wires)

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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

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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

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DeSco / 2013

Beauchamp, David

From: Jensen, Garth
Sent: Tuesday, August 06, 2013 5:34 PM
To: Beauchamp, David; Weakley, Mark
Cc: Brown, Vicki
Subject: RE: Client Alert: New SEC Private Placement Rules

David,

Thanks for your comments and kind words. I haven't had need to start some one on an updated subscription form yet. I'm not sure who may have done this for Susan. Either of Jennifer D'Alessandro or Stephanie Christensen would be a good choice if you need to have some one start on this. I'm on vacation this week. but would be happy to take a quick look at what they come us with.

Garth

From: Beauchamp, David
Sent: Tuesday, August 06, 2013 5:59 PM
To: Jensen, Garth; Weakley, Mark
Cc: Brown, Vicki
Subject: RE: Client Alert: New SEC Private Placement Rules

Garth:

Do you know of anyone in BC or BC-HRO who may have drafted a subscription agreement to comply with the changes to Rule 506? Susan Malone had contacted someone who had done that in our firm, but she has left the firm without giving me the form or telling me who had a draft of the revised form of subscription agreement.

By the way, you have received several compliments concerning the Bulletin on final rules on 506 private placements.

Thanks, David

David G. Beauchamp, Esq.
Bryan Cave LLP
email: david.beauchamp@bryancave.com

From: Jensen, Garth
Sent: Friday, July 19, 2013 12:54 PM
To: G3 All; WCSL
Subject: Client Alert: New SEC Private Placement Rules

All: We have prepared a client alert reporting on the issuance last week by the SEC of final rules on Rule 506 private placements. These rules include the long-anticipated rule mandated by the JOBS Act that removes the ban on general solicitations for certain private placements as well the Dodd-Frank-mandate rule preventing issuers from using the Rule 506 exemption (the most common Regulation D safe harbor) if executive officers, directors or certain other affiliates are felons or other "bad actors." Please feel free to forward to your clients and other contacts.

Garth Jensen and Randy Wang

BRYAN CAVE

To: Our Clients and Friends
From: The Bryan Cave Corporate Finance and Securities Client Service Group

SEC Adopts Final Rules to Rule 506 Private Placements: General Solicitations Ban Removed, "Bad Actors" Disqualified; Proposes Additional Rules to Monitor Private Placement Practices

The SEC recently adopted new rules to lift the ban on general solicitations and general advertising for Rule 506 private placements and Rule 144A offerings. In addition, the SEC also adopted rules disqualifying "bad actors" from taking advantage of the Rule 506 private placement safe harbor. These new rules will be effective 60 days from their publication in the Federal Register. The SEC has further proposed new rules that, among other things, require an SEC filing at the start of Rule 506 placements involving general solicitation, the inclusion of additional cautionary legends and disclosures in offering materials as well as a temporary (two-year) requirement to file general solicitation materials with the SEC.

Click here for a copy of the entire Bulletin.

Corporate Finance and Securities Professionals.

Exhibit No. 36

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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:
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P.O. Box 503089
St. Louis, MO 63150-3089

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St. Louis, MO 63101
Routing 8081000032
Account # 100101007976

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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

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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

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Exhibit No. 37

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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

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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 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

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

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One Bank of America Plaza
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Routing #081000032
Account # 1001610007976

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St. Louis, MO 63101
ABA #0260-0959-3
Account # 1001610007976
Swift Codes:
BOFAUS3N (incoming US wires)
BOPAUS6S (incoming Non-US wires)

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

Exhibit No. 38

NEWEST

READ WHOLE THING, I'TS NOT VERY WELL LAID OUT, YOU'LL NEED TO KNOW SOMETHINGS RIGHT NOW AND WORRY ABOUT OTHERS LATER.

Iggy List:

I'm sure I'm going to forget a few things because I'm not in the best state of minds. It's going to be as I think of them and not in any order. This wasn't typed top to bottom. I jumped and edited it all around for the last several days and nights. I decided not to ship you my computer and Ipad. I don't want it to look like I'm shipping you something. Please take them home with you, both computers. You'll receive ups over night envelope with more stuff in it that I felt you needed day one no matter what. I'm sorry I didn't' call you before this but I know if I heard your voice, the parents voice, blonde or squits, I couldn't keep it together. I'm having enough trouble facing my boys this week. I know this is incredibly mean and awful 100 things you could describe, much worse too, hate me I understand. But I had to do this retain some money so my boys and the parents would have something. I drained everything I had but their college funds and my retirement to fix this problem. If I stay alive and go through the whole process of defending myself it will cost 500k or more and there is absolutely no guarantee I won't end up in jail for 25 years. I know I did nothing intentionally illegal. However, the lawyers will find plenty of things I didn't do right and I will be given no mercy, poster child of fraud and off I'll go. What use is that? It's a waste. I won't do it and I won't put my family through it. I've brought enough shame to the family for not catching the fraud and fixing it and now I have to suffer the consequences. You might sit there and think five other alternatives but I can assure I've thought of a 100. They all end the same. Please don't allow for a funeral or anything. Just give my body to science they don't want it fine, cremate it and dump the ashes in Hayden Lake or something. Whatever you want. Maybe the boys will have some issue with it I don't know.

Dave

I decided not to send the investor letter out, but I sent it to my attorney and you, I think I gave a copy to Nasha too. I had to ensure the facts are made clear as to I know them. I just didn't want them published. I fear that I email it out to everyone; someone will send it to the press. I don't think that is a good idea. Please don't scan it, email it fax it or anything. Don't share it with anyone. Let Dave Beauchamp – 480-684-1100, handle it (keep this name and number you may need it later. The legal consequences are going to be huge. The press is going to have field day with me. I can't stop any of that. But I don't think that letter is good to become public domain. If Dave doesn't do something with it, you have it so that you can do something. I have no idea what or who to share it with but I think the facts have to be known. Once again I'm burdening you with some shit that isn't your doing and I hope it won't affect you. Course my mind is racing and I just typed this paragraph last, so I don't know what I'll think in another hour or two. I'm just going nuts right now and I'm so concerned I've screwed up so many things that my plan to at least protect some assets and pass to the boys and mom and dad are in vain. The money that is in my IRA is from insight. The other one that bought recently was my 401k I had in DenSco. So there's the tie to the ill-gotten gains. Same as that cd at the bank. That's was my defined benefit from DenSco. I moved it out after I knew of the fraud the dates will show that. But I hadn't done anything wrong in 2013. I was just made aware of what Scott's cousin had done. I had to move it because they weren't allowing me to keep it in DenSco. They, being the Defined

Pension Strategies, they are the ones I report everything to for my 401k and DB plan. I believe that the money put in to that except the last year of 2013, was all pre- any issues. The last 800k or so that was moved in to it in 2013 was after scot told me what happening, but I was trying to minimize taxes. I figured it I needed the money I rather have it then pay tax on it. 1 million of it purely predates everything went sideways. Go in to Accounts and display showing the hidden or closed accounts you'll see it. I'll put the QuickBooks file in there for you so you have it too. So I don't know if they will be able to come back after those two things. The 401k it's the last two 2 years, 2013 and 2014 that would be in question, that's about 75k I moved in there during those years, they want back. The first IRA I am sure they can't touch. It's from Insight. I hadn't moved money into vanguard from DenSco. I only moved it from vanguard to DenSco when I sold my mutual and bond funds. You see I'm spending all my time trying to see if I should do something else. But I'm out of time.

1. I've enclosed my password list to everything you'll need to get in to all my accounts.
2. Best you plan to fly down and drive back with the highlander. I know it's not 4 wheel drive, but you can sell it and get one that is. Have enclosed the notarized title with it so you can change it in to your name. I looked it up, you and I have to be that the DMV. I'm not sure how to handle this. Since I'm getting this notarized before I die, I bet you have submit a death certificate and then you'll be ok to do the transfer, u are the executor of my will so I think it will be ok. It might be pain but that's the best I can do. Make sure you unplug it before you drive away! It's got a trickle on it to keep the battery charged. I'm not sure how to handle the tesla. I owe a little on it, so I don't have title. I guess I should have paid it off and got the damn title. I'm sorry I didn't think. I'm sure there is a process for this situation. It's worth probably 40k so that's going to help you. Damn I fucked this up too. You never thought I could be so damn incompetent I'm sure. Maybe they will try to take it too since I've been making payments on it all this time. That was stupid. But the interest rate was so low it didn't make sense to do anything else. I can't fix it now along with 1000 other problems!
3. I put a couple k in the guest's bathroom underneath the books and toilet paper. I don't know what access you'll have to the house or if someone will follow you around so I figure with some privacy in the bathroom you'll be ok. That will pay for some expenses while you are here. I would pay for everything on your credit card, and then use the cash to buy gas food etc for months to make it equal. I don't want to put your of any money. Don't deposits cash either.
4. I pre-signed all of Sagers checks for his college fund. I figured that was easiest
5. Make sure you get down here before mom and dad. Stay at their condo. The neighbor has the key if not; here at my house I have the key and garage door opener. It should be on my desk or maybe Nasha took it. There are two extra keys hidden. Just in case there are issues with this I wanted to make sure you could get in. number 32 explains where one key is. Another one is in the work bench back right corner. The garage code is 1962 enter, it's a bitch you have to do it a few times or hit enter firmly.
6. In my desk drawer on the right side, bottom there are files, one file unmarked is everything out of my safe, personal stuff paperwork etc, and the boy's docs on their college funds. I don't think you'll need it but it's there.

still there ok✓

7. You'll have to send something to American Airlines to get them to move all my miles to the boys account.
8. I gave all the medical records for the boys to Nasha. She'll get health insurance for them; you may have to provide some money to her for this.
9. I gave her a check for August, let it go through don't fight it. That will give you a month to figure out some things and her a month of having some money.
10. The money you provide for the boys expenses, just make her give you a receipt for everything or better yet you can pay it yourself, like soccer camps and fees at school or whatever you are asked to help pay for then reimburse yourself from the trust you'll need to create. You can look to my will for guidance on how I want to use the money in the long term.
11. I sent you a long time ago a packet of info about what she did while we were married. The reason I did this was I wasn't sure then what was going to happen and I wanted to make sure someone knew the truth. I knew she wouldn't tell it. At some point in the boys older lives they'll want to know and I want you to tell them. I'll leave it up to your discretion on what and how much you tell them and when. Maybe she will woman up and tell them, I wonder how close to the truth it will be. I'm betting she'll give some type of vanilla explanation maybe that will be enough. You'll know they'll ask you. They always blamed me, not that I'm wanting to shift the blame was much answer their questions truthfully.
12. You've got the vanguard info, the boy's college funds, SEP IRA's are there along with my IRA's. I don't believe they'll be able to take those so those should go to the boys trust. They boys SEP's might be gone after since it was last year I did them. I have a trading account with some long time holdings, some good some bad. I really quit paying attention to it. I had an index bond and stock fund; I sold both moved the dollars to DenSco to try to save DenSco.
13. I've got 1.8 million deferred retirement fund in a CD at first bank account number ending in 1963, a health savings account ending in 1425, personal checking 6377, course my business ending 5264. Contact Jennifer delory, Jennifer.delory@efirstbank.com, 602-952-4003. You can login under efirstbankl.com dcmoney10, password thing1thing2. I'm not sure if they will go after that CD or not. I hope that can be moved to the boys trust.

First bank

14. Taxes, I'm not sure how it works. I know that you and everyone have paid taxes on interest you never received, I'm sure there is way to take losses or refunds on those taxes. As for my own taxes you would say, why the hell would I pay such large taxes. I had too. if I walked in and showed Dave, who's an investor and referred lots of people to me, here is a massive loss or no income or whatever , he would freak and I would be in the same position of notifying my investors. As I received payoffs in I showed them as interest income just normal course of business. When this was all happening, I was receiving a lot of them and that made my business look very profitable. However I had this ever growing large A/R of losses that Scott was accumulating while he was selling off the over encumbered houses. Yes he was making payments down on it, but it was going up faster than down because there were so many houses and the losses were large. Because if I had a lot of interest due. I would give my payoff to title as such. Then they would say, uh Scott you sold this house for 150k, the debt on it is 210k, you need

60k so we can close. I would wire in the 60k, put it on my books as A/R for the workout with Scott. Then they would wire me the 210k, with 15k of interest income the rest would to payoff the principle of the two notes (first being the one I had on there initially, the 2nd note was the one I added to the property if I paid off another lender). See I would bring in interest income to the p/l, payoff an old debt but the new workout agreement A/R would rise. I did this over and over again for tons of homes. Or the other scenario, is that there were two liens on it, AFG was one and I was one, when it was payoff time, I would wire in the difference, add it to my a/r on the work out and I would get back my principle and interest on my first loan. In some ways this exaggerated the A/R because it was including the interest, and it was overstating my interest income I guess, but I did collect it. That's why my p/l looked so good. But my A/R was getting larger and larger. I had to keep working with Scott so he could make money to pay it back. He paid millions down on that a/r. but once the divorce, the bk he couldn't anymore.

15. The house should be sold for about what is owed, BofA account 6817-1012-989999. I didn't make the payment due in august. They will start foreclosure in 90 days. Then it will go to auction in 90 days. I had maxed out the credit line to try to save DenSco too.
16. The cars, I'm not sure what to do with them. The highlander I own for cash, the tesla I owe maybe 10k on its BofA too. 650-100-314-04147, the login to the account is on my password list. Costco owes me some tire stems or something. They might call depends on when they get them in and you get this letter. I had to get new tires because they were bald. I would cxl the auto payment it's usually close to the first. Just login to BofA from my password list and you'll see the two accts there my house line and car line. Acct login 110214515 password is thing1thing2
17. My credit cards on the password list too, I didn't cxl them in case there was reason for you to allow charges to go through or to pay bills. Again I'm not sure how it works as executor vs. using a dead person's credit card.
18. Carol's life insurance nightmare, I asked her to pick up the payment with help from her kids and then forward you the money once Mr. P passes. She owes me more than the policy is worth. But she's got 800-900k worth of houses she is planning to sell so she should pay you the balance from there. Just add it to the boy's trust fund.
19. Angie Nazario owes me $4000 more I lent her to keep her brother out of jail. She gets about 9k a month in child support; the problem is she spends 9,500. Be tough on her, she can pay you back 310-709-6402, yoangie22@hotmail.com
20. Thad Pike owes me 10k, I doubt you'll ever get that back. That was to get him out of jail too. I have no idea how to contact him and last I talked to nurse Nancy she didn't either.
21. Brian gittings owes me $42,540 602-315-2961, he's basically not worked in years, he's old now, I doubt he will and he won't pay you back unless he's got a life insurance policy and add me to it or something.
22. You have my quicken. The balance in the DenSco is of course isn't right. Everything else is accurate to the penny. I've not updated some interest and dividends I'm sure. But you have access to bank and vanguard. Password is 10Million
23. Robert should take care of QuickBooks his number is 602-330-4624 if you need to contact him. I put all my DenSco files in to his drop box acct, along with a backup of

QuickBooks, he should be good. All the physical files are in my office. He's getting a long instruction list too. I gave you QuickBooks too incase you need it. password is "20million"

24. The boys skiing passes are paid for they are in my email under "orders" folder. But I think you can just show up and give them their name.
25. Yes I have journals on my computer. Read them at your peril. It might help to read the DenSco ones, but the personal ones I can assure you will be harder to read than what you can learn from them are limited. Honestly don't read my journals. I guess I could delete them off everything but just don't read them. They are too honest.
26. I tried to empty out of the house as much crap as I could without raising suspicions. I hope that limits the burden to the person that has to finish it.
27. Money. I'm sorry. I was going to leave you some to help things between you and mom and dad, but I can't figure out how to get that much cash to you in a short amount of time. It's impossible. I know that they will look for places I hid things but I didn't. I used u all my money trying to fix it. The money in the kids trust use to help mom and dad out. The college funds are critical. They will be there. I can't believe mom and dad will spend through what is will be in the boy's trust fund. I'm sure this will be sore subject. I'm sorry to put this one you. If you can keep my IRA's, trading acct. money market acct, CD, HSA fund, carols returns you the insurance proceeds. I think everyone will be ok. It's better than me spending all that money to defend myself.
28. I sent letters to all that I thought deserved one. If someone didn't get one you thought should, look in my computer under dcmoney/dropbox/my documents/misc/TODO. Maybe they got lost in the mail. Everything is in drop box first then go to the folders. If you don't go to that first, it's all the old files before I converted to using drop box. The accts file is my dropbox/mydocuments/misc/everything else, password to that word file is "chichis", its misc then you'll see "accts". I printed with the stuff I am sending you with all my paperwork.
29. One my citi m/c there is a $2000 or so cash back available. You can go on line and request the money. It's the accumulating of the 2% refund since I've had the card, or you can pay a bill with it or something. That would be better I think.
30. All my bills are set up auto pay through my personal bank account. The one that hasn't happened yet, depending on when you are reading this is the new Costco visa card; 4100-3904-5829-6536 12/09 233 the only charge I've made was at black sheep for that tube. As I'm typing this I've not received the statement yet. It should go through. There is nothing reoccurring on this card. Citi bank m/c 5424-1812-2221-6892 11/18 101

Citi

Cancel

31. I'll put my last quicken back up in our shared folder, so you can see it there. That's probably easiest. Then I'll add you to all my folders on drop box so you have access to anything you think you may need.
32. To get in to my house there is a in the back patio. Under the grill there is an access panel, in there is a blue plastic box. Alarm code is 1986. Just type that in to arm and disarm it. The mailbox key its number 7 right hand side of boxes, I sent you the key. I'm sure you'll have to forward the mail or something that would be easier, but until then you have the key. Robert has a key now too. He can get the checks and any applicable DenSco mail. The garage code is 1962 enter. Sometimes you have to press hard and do

it twice. Robert will need access to the mail box so I gave him same instructions. He'll have checks and docs coming for weeks if not months.

33. Mom and dad's Condo garage door opener is right inside my office closet on the right side. It's the only garage door opener in there.
34. I know you and others may scorn me for taking those last three vacations. I had paid for the house 9 or 10 months ago. I bought all the tickets 6 months ago I'm guessing. In June I knew I was in serious trouble. However, I figured it's bought and paid for and it will be a wonderful last vacation for them to experience. This might be really selfish. But if I canceled the trip that would have looked odd, no good reason and I would have lost the money on the house. The snowboarding vacations were booked way ahead of their dates. Yes I paid for the hotel, but I still believed I could save this and I knew how much it meant to the boys.
35. I have an AA m/c for buying airline tickets 5466-3884-2927-1773 through Barclays its login info is on that list. Just cxl, nothing on it.
36. Don't let anyone ever have access to my computer. Windows password is "focus", Ipad password is 1997. Maybe I'm paranoid, but before you get a subpoena or something destroy it, as in pieces. There is nothing on there that illegal or anything like that, but it just bothers me. All the files are on drop box anyway. The old one is xp and has nothing on it that the current one doesn't have, other than genealogy. I never got the update program for windows 7 or 10 so it sits on the XP machine. All the photos on the older computer I moved in to drop box, so you login to drop box under my account from a browsers, you'll see all the photos from old laptop and current laptop. Newest are on Ipad. The old one it takes 30 mins to boot and sounds like hell because I dropped it once and the cooling fan broke.
37. If you call Cox to cxl, my four digit pin is 1337; login on line is on my accounts list.
38. How much to give her? I was paying her $3814 a month. The 3k was what is in our prenup. It ends after 5 years, or one of us is dead or she re-marries, she had one year left. The $814 is what the state said I had to give for child support until Dillon turns 18 or graduates from high school, whatever comes last. Then it's ½ that amount until Ty does the same. She was supposed to start college funds I'm sure she never did. She makes about 4k gross a month. Yes, she pissed through around 200k of her IRA and investment account after she moved out. No I don't know on what. She doesn't live high on the hog. She lives in patio home she leases and has a 4 yr old car. How much to give her is really hard to say. Just stick to specifics. I think that if you gave her money for the boy's health care, covered all their expenses, school, camps, sports, some clothes, maybe food. You can do this all remotely by paying on a credit card and paying the balance with the trust money. I don't know. I know that my IRA's will be there. Which you would transfer in to the trusts. They shouldn't be able to take that. Their college funds are untouchable. I hope you can keep the other assets like the rest of vanguard accounts and that 1.8 mil retirement cd at the bank. I owe 1mill on the house and it's worth around 1.2, but it I will sell for what's owed I'm guessing. Hopefully it will sell quickly and at not a discount and there will be some there too. I'm so sorry to put you in the middle of this. I know you hate her and don't want to deal wither and now you have to. You can hate me. I just know you'll do what's right and fair and you'll have my boys in the best plans for them.

39. My Ipad code is 1997, same as my phone. Phone is on my desk, take it with you. If you get any vmails for payoff needs just email Robert the info. I'm sorry you'll get all the other phone calls; texts, etc. just ignore them. Easily said I know.
40. You'll get emails about DenSco stuff. Just forward them to Robert Koehler – rzkoehler@~~yahoo.com~~ gmail.com
41. When you log in to my vanguard it will send you a text, so keep my Ipad handy. Probably best to turn that feature off at one point.
42. The pool is paid for through I think Oct for cleaning, matt 480-343-3833
43. The lawn can be taken care of for probably $100 every other week from Carlos – 602-718-7322. I always did it but he came to trim trees and does projects. I don't know if you want to have him do this, maybe dad will come over and mow the lawn etc.
44. I'd keep the utilities on at least for awhile. I don't know what will happen with the house and process. I'm debating on making the payment by the end of month. It will be three months before they can foreclose and sell it. So you can sell it before then. Wade kawahara can sell it, tell him to do it for free he owe's me 623-326-7316
45. Or you say screw it, just let the bank take it.
46. Best you plan to fly down and probably drive back with my car.
47. I put my most personal things in your possessions, my finances, my boy's livelihoods, my journals. I think you should delete those. Maybe I should I don't know what the hell I'll do. You won't want to read them they will be too painful; I'm too honest when I type them.
48. In your drop box directory there is a file called Dropvox, it has a voice recording, 2 ½ hours mostly of scot talking. I checked, I recorded it and its legal, should be permissible if need be. But it gives the account of where the money is how they were working. I'll leave this in your hands. Maybe it will be necessary to use maybe it won't. My letter explains everything to my investors that I was aware of. But if he is trying to get out of it this will be nail in coffin. If you listen to it, he's just putting together an explanation of how he thinks he can talk his way out of it with the bk trustee. He takes all the blame. This is true! I wasn't aware of what they were doing 6 or 7 months. When I confronted him on it, he made up a story sort of telling me kind of what he's doing. I was now guilty even if they were swindling me too, but if they stopped, Scott's like I have no way of paying you back, I owe you millions you are fucked. So either you let us continue and try to pay you back through this agreement I have with auction.com or you'll be back to being owed by him to me for the duplicate lenders, and you'll be screwed, so either let us keep going or you'll be screwed. He was paying me back the principle payments and interest 100k a week, 75k a week. The workout was getting paid down, the houses were getting sold, and my books were looking better and better, except this 'wholesale process was getting out of hand. He kept saying a little longer, I'll get paid back and he'll quit wholesaling. It's just a mess I know. A slow train wreck I was trying to save the whole time. Dave my attorney even allowed us to do the wholesaling. Now at the time, he nor I didn't understand what Scott and auction.com were doing, I still don't! But he let me get the workout signed not tell the investors and try to fix the problem. That was a huge mistake. This would have blown up in 2014 with the investors. Who knows where it would be today if I had gone that route initially. I know one thing, law suits,

requests for money back, the disgruntled lenders that I was fighting with would sue, hell they sent me a lawsuit several times threatening here you go we are filing! I couldn't have run the business, pay the disgruntle lenders off on their duplicate loans, pay all the investors back that started to requests their money back, if I can't return it they sue. This is exactly where I am today. The difference between now and then is that Dave did a work out agreement with Scott, we were executing it and making headway, yet Dave never made me tell the investors. Then Scott started this screwy deal with auction.com vs. when he told me that he was buying properties at the auction. It wasn't true. Which I was receiving the copies of all the checks, and receipts (look in DenSco/MyScan/Easy/you'll see two files Checks and Receipts) for everyone one of them. I'm sure this is making no sense. I'm sorry. I've had 2 hours sleep in 2 days and I can barely thing straight let alone explain things coherently.

49. You'll probably be staying at mom and dad's when you come down. Their friends have keys. In my closet in my office are the keys to their house and garage door opener.
50. In my desk, there are files for the cars, didn't think I needed to send them to you. You can throw them in the cars when someone buys them.
51. Make sure she updates her will that says you get the boys. The last will I have of hers from 07' says this and I highly doubt she's ever made a new one. I asked her to do this, but I'm guessing she won't do it timely. I don't think she'll have a problem with that. I hope it never comes to that. But I have to know they are in a safe place. Again I am sorry to burden you with that if it comes to pass.
52. There should be some death benefits for social security that boys could get too. I paid a shit load of FICA.
53. If you have problems with anything with her about the boys, all of our divorce docs are in Dropbox\My Documents\Misc\Everything Else you'll see them
54. I've been typing on and off this for days. I really hate to think how much time and nightmare this is for you. I'm so sorry.
55. Cancel my car insurance; I just paid them a few months ago, so they'll send refunds to you. I would leave the house insurance in place until the house is foreclosed on. I don't know how it will work if you try to sell it in the next 90 days. Because it will sell for about a million, this is what my next door neighbor bought his for a few months ago. Don't want to spend a ton of money on it. Maybe just let it go to the bank and let them deal with it. If they get a dime over their costs, they have to send it to you. Don't cancel until foreclosure goes through at auction. So it won't be for six months from now. All insurance is with George Day Insurance – Kristine Long is the contact – Kristine.long.1141@statefarm.com, 480-998-9477 w , 480-998-0206 f
56. I have a 5 mill umbrella insurance that's with Duane Taylor 480-345-2331 dtyalor7@farmsagent.com I'm not sure of the refund on that. Don't cxl this one, it might be helpful if I get sued or the estate gets sued etc. I'm not sure how this work. An attorney will know. I think Jim vanvalin or something is an estate attorney, friend of dad's, but you choose who you want. Sorry your nightmare.
57. My mind is going wild thinking about the what if's on how to protect the remaining assets. I don't know if they can go after everything I have saying that I took investors money to fund my ira or pay for carol's insurance thus they have access to all that.

Maybe you have carol change the beneficiary to the trust or to herself and then she send it to you afterwards. You may have to get a legal opinion on that on how to protect that. I'm thinking they could try to attach it since I took money out of DenSco to my personal and then sent to her. I'm really stressing now and mind going crazy. I'm sorry for this is going to be a nightmare. Jesus what a fucking mess. I think the best thing to do is as quickly as possible create the boys trust move all the assets you can as they release them or allow you too and then at the point I guess wait and see what the legal ramifications are. I don't even know who they are or what will go on. That will take months and months if not a year to get anyone to look at that. They can see from my QuickBooks that I moved money in to DenSco. If I took a salary, I kept some out to pay bills and transferred it back in. I sold mutual funds and transferred it back in. if I'm dead they can't find me guilty of anything and can't fine me for millions of dollars. That's why I'm better dead than alive! This isn't a financial decision. I'm looking at it as a well being decision, what is best for my boy's long term and to help mom and dad. Plus I would have to face all these people my family, my best friends, neighbors, I can't even imagine those discussions. It's not a financial decision based on me it's for the boys. I can't leave them nothing and depend on their mom. I just can't. Will they survive yes, but I can't leave them in such a bad position it's my entire fault. I rather sacrifice myself for them to allow them to go to college and start a life. Be able to have an upbringing that isn't charity and handouts or whatever may become of how she would raise them. I know everyone would help out. Should I be sitting in jail, or let's say I go to jail they just fine me for millions. I can't provide for them again. Its' my only choice. I rather not have my boys say I'm in jail. Or that I'm a bum and can't provide for them. I'm desperate to do the right thing and I'm sure I'm doing it. As much emotional pain as its going to bring to everyone. I know I'm a coward, I'm selfish or anything else you want to say I know this is the best for my boys and mom and dad. I have to do what is best for the four of them. I'm' so sorry for the shame and embarrassment mom and dad are going to experience. They don't deserve this, how do I make it up them? I put them in financial straits. I've ruined lifelong friendships, I've done all of this. None of it intentional or purposeful but I'm responsible. I know they are proud of me, brag about me they are parents. I've absolutely ruined them. No I'm not man enough to live with that. To face them, Uncle Arden, their friends, my neighbors. What do I do point the finger and say Scott screwed me he defrauded me, yes it's true. But shame on me. I'm responsible. I'm the one that was supposed to ensure that didn't happen. Despite my best efforts and years of experience I missed it. When I tried to fix it, I didn't do the right thing and come forward. Now I've compounded the issue and its worse. I'm responsible. That how I see it and that's how the court will see it. I can say I didn't intend, they might even agree, but there are fiduciary and morally responsible things to do and I didn't do them, fear, drove most of those decisions. I talked Dave my attorney in to allowing me to continue without notifying my investors. Shame on him. He shouldn't have allowed me. He even told me once I was doing the right thing. You might ask how can I look you and mom and dad in the eye and be ok with it all this time. I must not have a soul or a conscience. Just the opposite. I had such remorse and guilt that drove me to work day and night and put more money in to it to try to save it and fix it. I've not been able to sleep. I know my

mood is foul. Hell I had a physical because I was feeling so poor, I took a blood test and some numbers were so bad they thought my kidneys were failing. I read on it and if it's not that, it's stress. They just called me the other day because they want me to retake the test. For the longest time when this first was made aware of it. Things were improving for months and months. I was hopeful I could fix it. my balances and spreadsheet were looking good, we were selling home, we were getting rid of disgruntled other lenders who were threatening to sue Scott and probably me (which is stupid, because I didn't do anything wrong), go to the local paper, every third day they would threaten me, well not me but Scott and me and everyone, thinking that we had conspired or something. Yes, I wanted to be in second position on all these loans. How insane is that thought? But the threat was enough to ensure that we couldn't let it happen. Because if I didn't pay them back they sued, I wasn't at fault at all! When I say this they are going to sue Scott. Because I had a lien on the properties too, the properties would be locked up until it was settled. However, going through the courts and lawsuits would take months if not a year. We couldn't sell the properties, my cash flow would be slowed to a trickle, then my investors would get nervous and request money back, I wouldn't be able to meet all my withdrawal notifications and I would be in violation of my covenants then they would sue, it would all spiral in to hell. That's why I agreed to pay off these guys and take control of all the home loans even though I was in an upside down position. But the numbers were so big and the losses were growing, Scott for months was paying me down but not as fast as the balance was going up. I should have come forward then. It would have been a downward spiral and I wouldn't be facing any criminal charges, just civil and maybe huge fines. However, even that wouldn't have been applicable. The fraud was done against me; I had no knowledge what so ever! I could have come forward to my investors, they would sue me, the other lenders would sue, everyone would sue and it would implode. I absolutely knew that. See if an investor requests their money back, I say that I'll do my best to return it to them based on their request date. But legally I don't have to redeem it until it's due. That's what all the paperwork says that we sign. However, I have 100's of individual investments from a 100 people. Every other day a note matures, so as they request them to be redeemed I wouldn't be able to redeem them because the money isn't coming back in because all the lenders are suing each other to see who's in first position and that would take months if not a year. So our plan was let's get rid of the disgruntled lenders, take control of the properties, sell them off, keep operating the business, keep paying the investors their interest, redeem money when requested and over time Scott would pay back the loss accumulating from the deficit of the 2nd positions. Do you see why that was a better alternative? Dave my lawyer, negotiated the work out agreement, and endorsed the plan. Then when Scott said hey, let me buy some foreclosures, flip them, wholesale them, etc so I can make money. All the other lenders wouldn't lend to him. I needed him to make money now more than ever before, we went to Dave, and he gave some constraints on how we were to operate. I followed them. I have all the documentation. I received copies of checks made out to trustees, receipts from the trustee's. I had all my docs signed, I recorded my mortgage, I had evidence of insurance, and I did everything. Once he paid me back I received back my principle and interest. He

was making money and paying down the workout balance that was accumulating. The houses were being sold, which of course would drive up the balance, but we were making progress. That's how I was able to look at everyone in the eye, that's how I was able to sleep at night; I was doing the right thing to get things back in the balance.

58. Then I find out he's got some "arrangement with auction.com" which I've never been full made aware of, I believe is a scam. I've been providing the funding for and now I'm guilty. What am I going to get anyone to believe I could lend this man this much money and not be aware? No one would believe me. Even though I was getting all the security that I would normally get if it was legit. I'm not making sense I know. I'm running on no sleep and I can't even make sense of what I'm saying.
59. I know I'm missing or forgetting to do a dozen things. I really tried to cover everything I could to make it as simple as I could. I know your emotions are running high. You are mad, angry, in disbelief, my boys are a mess, the family is a mess, the investors are all the same, I hurt them financially and broke their trust. I checked out. It seems unfair cowardly, stupid, selfish all those things. The difference is that by me doing this it shields my personal assets so that I can provide something for mom and dad and the boys. I can't leave that burden on you girls. That is the reason I'm doing this. I know the boys can't understand and I've scared them for life. The guilt is so overwhelming that I've hurt my boys I can't even think about it because I go crazy, yelling, crying and then I say I'm not going to do it, then I think now what, I know what will happen to me. How is that better? It's not. This is better. I know I had no intention of doing anything illegal. But I know that the law says about fiduciary responsibility and there has been money lost. This means there are penalties both legal and financial. That would be devastating in both counts and I would put my boys and mom and dad in worse shape.
You are the closest person to me in the world and I just shit all over you. I cannot make it up to you I can't fix it, I tried, and honestly I did everything I could. It will only get worse from here. I have to stop it and try to minimize the negative affect financially on family despite the emotional damage I'm doing. I feel like in time that can diminish. The Financial problem only would get worse if I don't shield what I left to help out now. I I've been reading for hours. My estate will go to probate. The only ways creditors get paid are secured. You'll pay those. The unsecured will have to get a judgement. You can't get a judgement without a conviction. You can't get a conviction on a dead person. The only way I think I can protect my remaining assets are to die before any criminal or civil cases come against me. I could have avoided the probate court if I would have got my shit together more quickly, but I just didn't have time. I apologize. Now that I've read all this stuff I am convinced now is a better time than later. If they open up a case against me or convict then it's more likely they will have the ability to come back and take some assets. This way I think I'm protecting them. This all could happen in a matter of weeks. I could somehow get myself to the end of august maybe. Here is the thing. I have a small portion of the portfolio actually working like's it supposed too. But I have to pay out 250k a month and quarter end 500k to pay investors interest. Plus I have redemption requests all the time. Thus I'm running down my cash to nothing. I can only do a few loans a month based on what loans pay off to me. But it's getting smaller and smaller as the months go by. I'm not going to raise any money. This is the downward

spiral I'm in and I can't get out. Is this week or next week or three weeks, two months? It's all got the same ending. But I can't continue like this. It's eating at my core. Timing will never be perfect. There is never a good time for this. If I pushed it out two weeks or two months. I would be in the same situation.

Exhibit No. 39

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

Exhibit No. 40

DenSco/2013

Mtg w/ Denny Chittick (5/9/13)

over — $50 MM (what is this a threshold for)
→ 114 Accounts
(75 to 80 individuals)

— Debenture Act

— Helge Fiend

→ doing loans on apartment projects, multi condo units
— duplexes,

Note: → will retain a portion of retained earnings in the company

p14 — add ¶ – early payback to investors in order to ~~loan~~ balance demand

Prior Performance
↳ DGB to create chart

* State Blue Sky
— need to review & update
— DC to send list

DENSCO INVESTMENT CORPORATION
2013 Private Offering Memorandum

ELIZABETH SIPES - ATTORNEY WORKING FILE

C068584/0352992

DV F:001

F16490777

DIC0003346

Sipes, Elizabeth Kemery

From: Sipes, Elizabeth Kemery
Sent: Monday, July 01, 2013 11:45 AM
To: Beauchamp, David
Cc: Weakley, Mark
Subject: DenSco

David,

I wanted to follow-up on our conversations last week about whether DenSco has any concerns related to the Investment Company Act (ICA) or Investment Advisers Act. Based DenSco's primary business objective to make high-interest loans to "Foreclosure Specialists" as described in the draft May 2013 OM, I don't believe DenSco would be considered an investment company under the ICA. As a result, no one will need to register as an investment adviser.

It is also not necessary to count accredited investors at this time. DenSco is offering the notes under 506 which permits an unlimited number of accredited investors. Counting only matters if you need to rely on the 3c1 exemption under the ICA.

If DenSco starts purchasing securities and/or changes its business model, then we should revisit these issues.

Please let me know if you need any additional help on this matter or have any questions.

Best,

Elizabeth

Elizabeth Kemery Sipes
Bryan Cave HRO LLP
1700 Lincoln Street, Suite 4100
Denver, CO 80203
elizabeth.sipes@bryancave.com
Direct: 303.866.0348
Cell: 970.331.3384

Exhibit No. 41

Beauchamp, David

DanSio (2013

From: Beauchamp, David
Sent: Tuesday, June 25, 2013 12:58 PM
To: Sipes, Elizabeth Kamery
Subject: PX01DOCS-#739858-v1-Private Offering Memorandum (2013).DOC
Attachments: PX01DOCS-#739858-v1-Private Offering Memorandum (2013).DOC

Elizabeth:

This should be much easier to review the company description.

Sorry for the last email.

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: Beauchamp, David
Sent: Tuesday, June 25, 2013 12:68 PM
To: Sipes, Elizabeth Kemery
Subject: RE: PX01DOCS-#739858-v1-Private Offering Memorandum (2013).DOC
Elizabeth:

Sorry, I had intended to send as an attachment.

Best, David

From: Beauchamp, David
Sent: Tuesday, June 25, 2013 12:54 PM
To: Sipes, Elizabeth Kemery
Subject: PX01DOCS-#739858-v1-Private Offering Memorandum (2013).DOC

Elizabeth:

Attached is the previous POM for the client which has only had the date changed. We stopped the updating when we were told that the investments from the investors had jumped to approximately $47.5 million. Given that significant increase, I have been asking for help to determine what other federal or state laws might be applicable. Bob Pederson of NY has said that the Trust Indenture Act will not be applicable so long as the client is under the Regulation D, Rule 506 exemption. The other big issues have waited for your help to discern if we need to comply with the Investment Advisors Act of 1940 and the Registered Investment Advisors requirements.

Thank you.

Best regards, David

Thanks, David

Confidential Private Offering Memorandum

DenSco Investment Corporation

May __, 2013

Exhibit No. 42

DenSco 2013

Beauchamp, David

From: Beauchamp, David
Sent: Monday, July 01, 2013 12:20 PM
To: Sipes, Elizabeth Kemery
Cc: Beauchamp, David
Subject: Re: DenSco

Elizabeth:

Thank you!

All the best, 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: Sipes, Elizabeth Kemery
Sent: Monday, July 01, 2013 01:44 PM
To: Beauchamp, David
Cc: Weakley, Mark
Subject: DenSco

David,

I wanted to follow-up on our conversations last week about whether DenSco has any concerns related to the Investment Company Act (ICA) or Investment Advisers Act. Based DenSco's primary business objective to make high-interest loans to "Foreclosure Specialists" as described in the draft May 2013 OM, I don't believe DenSco would be considered an investment company under the ICA. As a result, no one will need to register as an investment adviser.

It is also not necessary to count accredited investors at this time. DenSco is offering the notes under 506 which permits an unlimited number of accredited investors. Counting only matters if you need to rely on the 3c1 exemption under the ICA.

7/10/2013

If DenSco starts purchasing securities and/or changes its business model, then we should revisit these issues.

Please let me know if you need any additional help on this matter or have any questions.

Best,

Elizabeth

Elizabeth Kemery Sipes
Bryan Cave HRO LLP
1700 Lincoln Street, Suite 4100
Denver, CO 80203
elizabeth.sipes@bryancave.com
Direct: 303.866.0348
Cell: 970.331.3384

Exhibit No. 43

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: _____
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IN THE SUPERIOR COURT FOR THE STATE OF ARIZONA

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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 No. 44

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IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

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

Plaintiff,

v.

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

Defendants.

No. CV2017-013832

PLAINTIFF'S FIFTH DISCLOSURE STATEMENT

Pursuant to Rule 26.1(a), Plaintiff Peter S. Davis, as the court-appointed receiver of DenSco Investment Corporation (the "Receiver"), makes the following disclosures. Changes from the Receiver's Fourth Disclosure Statement are identified in the mark-up attached as **Appendix F**.

On August 18, 2016, the Receiver was appointed to serve as the Receiver for DenSco Investment Corporation ("DenSco") under an order entered by the Maricopa County Superior Court in *Arizona Corporation Commission v. DenSco Investment Corporation*, CV2016-014142 (the "Receivership Court"). After the Receiver and his staff had reviewed DenSco's books and records and files maintained by DenSco's

former legal counsel, Clark Hill PLC and Clark Hill partner David Beauchamp, the Receiver concluded that DenSco might have claims against Clark Hill and Beauchamp. On March 31, 2017, the Receiver filed a petition with the Receivership Court seeking permission to retain special counsel to investigate those potential claims. The petition was granted on April 27, 2017. After special counsel completed its investigation, the Receiver filed a petition asking the Receivership Court to authorize the Receiver to file, through special counsel, a complaint against Clark Hill and Beauchamp. That petition was granted on October 9, 2017. The Receiver, through special counsel, initiated this lawsuit on October 16, 2017 by filing a complaint which asserted claims against Clark Hill and Beauchamp for legal malpractice and aiding and abetting breach of fiduciary duty.

The Receiver has relied on special counsel to pursue those claims against Clark Hill and Beauchamp and to prepare this and previous disclosure statements.

I. FACTUAL BASIS OF CLAIMS

The following numbered paragraphs disclose the primary facts on which the Receiver's claims against Clark Hill and Beauchamp are based. At trial, the Receiver may also rely on facts disclosed through depositions that have been taken in this action, the defendants' disclosure statements and discovery responses, and facts contained in the documents that have been identified in Sections VIII (anticipated trial exhibits) and IX (documents that may be relevant) of this disclosure statement.

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

1. DenSco's Formation and Operations Through 2003

1. DenSco was established in April 2001 as an Arizona corporation.

2. Denny Chittick formed DenSco to make short-term loans to companies buying or investing in real estate. DenSco used money raised from investors to make those loans.

3. Chittick was DenSco's sole shareholder, president and director, and its only employee.

2. Beauchamp Was DenSco's Securities Lawyer

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

4. David Beauchamp is an attorney. He describes himself as practicing primarily in the areas of corporate law, securities, venture capital and private equity transactions.

5. Beauchamp began representing DenSco in 2003, when he was a partner of the law firm Quarles & Brady LLP.

6. In 2004, Beauchamp left Quarles & Brady to join the law firm Gammage & Burnham, PLLC, where he continued to represent DenSco.

7. In 2008, Beauchamp left Gammage & Burnham to join the law firm Bryan Cave LLP, where he continued to represent DenSco.

8. Beauchamp has testified that DenSco relied on him to prepare private offering memoranda for distribution "to investors of DenSco in compliance with Arizona and federal security [sic] laws" and to provide DenSco with "recommendations for amended or additional [private offering memoranda] in keeping with the investments being made or contemplated by DenSco."

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

9. DenSco issued private offering memoranda in 2003, 2005, 2009, and 2011, which DenSco used to sell promissory notes to investors.

10. Beauchamp prepared each private offering memorandum ("POM"), sometimes working with other attorneys.

a. The 2009 POM was prepared by Beauchamp with assistance from Bryan Cave attorneys Ray Burgan, Logan Miller, and Nancy Pohl.

b. The 2011 POM was prepared by Beauchamp with assistance from Bryan Cave attorneys Gus Schneider and Jonathan E. Stern.

11. The process of preparing POMs in 2007, 2009 and 2011 took between one and three months.

a. Beauchamp began working on a POM in early May 2007, after a May 3, 2007 meeting with Chittick, and completed his work in approximately thirty days.

b. Beauchamp began working on a POM in April 2009, after an April 9, 2009 meeting with Chittick, and completed his work in approximately ninety days.

c. Beauchamp began working on a POM in April 2011, after an April 13, 2011 meeting with Chittick, and completed his work in approximately ninety days.

12. Beauchamp knew that Chittick told his investors that he had retained legal counsel to prepare DenSco's POMs, and that Chittick had identified him as the Company's securities attorney who helped prepare those POMs. For example, Chittick distributed a POM in 2011 to DenSco's investors through a July 19, 2011 email. The email was sent to all of DenSco's investors and Beauchamp. Chittick's transmittal email stated, in part: "I update this memorandum every two years. I work with David Beauchamp (securities attorney) to review all the statues [sic] and laws in Arizona as it pertains to my business and all the states that I have investors in. This is to ensure that I'm filing all the forms and following all the rules . . . ."

c. The Terms of the POMs Beauchamp Prepared

(1) DenSco Sold Promissory Notes

13. In the POMs it issued in 2007, 2009 and 2011, DenSco offered to sell investors promissory notes of $50,000 or more with the following durations and interest rates: six months at 8%; one year at 10%; and two to five years at 12%. The notes

were "paid 'interest only' during the terms, with principal payable only at maturity." Investors had the ability to "have interest paid monthly, quarterly, or at maturity."

14. Each POM stated that "[a]lthough the Company intends to use its good faith efforts to accommodate written requests from an investor to prepay any Note prior to maturity and the Company has in fact been able to satisfy such requests in a timely manner with interest paid in full, the Company has no obligation to do so and the investor has no right to require the Company to redeem the Note prior to maturity."

15. By completing and signing a Subscription Agreement, investors specified the amount of the promissory note they wished to purchase, the term of the note, and how they wished to be paid interest.

16. The files that Beauchamp maintained, and the billing statements Bryan Cave issued to DenSco, reflect that Beauchamp prepared a form of Subscription Agreement in 2007 and 2009, but did not do so when he prepared a POM for DenSco in 2011. There is no reference in those files and billing statements to any actions that Beauchamp took when DenSco issued a POM in 2011, or at any time thereafter, to ensure that DenSco was using an appropriate Subscription Agreement for the promissory notes DenSco sold during and after July 2011.

17. DenSco's investor files reflect that during the two years the 2011 POM was in effect, Chittick used a Subscription Agreement that Beauchamp had prepared in 2009 and which referenced the 2009 POM. Those files also reflect that Chittick continued to use the 2009 Subscription Agreement to sell promissory notes after the 2011 POM expired in July 2013.

18. Beauchamp knew that the vast majority of DenSco's investors purchased two-year promissory notes. For example, Beauchamp's notes reflect that Chittick told him during a May 3, 2007 meeting that 90% of the promissory notes DenSco had issued to investors were two-year notes.

19. Beauchamp also knew that the vast majority of DenSco's investors did not redeem their promissory notes when those notes matured, and instead "rolled over"

their investments by executing a subscription agreement and buying a new promissory note when a previous promissory note matured. As Beauchamp wrote in a June 15, 2007 e-mail to Richard Carney, who was then doing "Blue Sky" work for DenSco, "DenSco has regular sales of roll-over investments" and an "ongoing roll-over of the existing investors every 6 months or so."

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

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

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

a. DenSco had sold promissory notes worth $25.9 million to new and existing investors since 2001, and "ha[d] never defaulted on either interest or principal" on any of those notes.

b. "All real estate loans funded by [DenSco] have been and are intended to be secured through first position trust deeds."

c. DenSco would "attempt to maintain a diverse [loan] portfolio . . . by seeking a large borrowing base" and by "attempting to ensure that one borrower will not comprise more than 10 to 15 percent of the total portfolio."

d. DenSco "intend[ed] to maintain general loan-to-value guidelines that currently range from 50 percent to 65 percent, (but it is not intended to exceed 70%), to help protect the Company's portfolio of loans."

e. "Because of these varying degrees of diversification, the relatively short duration of each of the loans, and management's knowledge of the Phoenix metropolitan market, [DenSco's] management anticipates that it will not experience a significant amount of losses."

f. DenSco'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."

22. The POMs DenSco issued to existing and potential investors in 2007, 2009 and 2011 each included a "Prior Performance" section which summarized the dollar value of promissory notes sold in preceding years, the number of loans made in each year, the value of those loans, the value of the property securing those loans, and losses incurred in each of those years.

23. The Prior Performance section in each POM concluded with a statement that was intended to give existing and potential investors the impression that the promissory notes sold by DenSco were safe, secure investments: "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 [DenSco]."

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

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

25. DenSco's records do not reflect that it ever told existing and potential investors that "the maximum offering proceeds" offered through the 2007, 2009 and 2011 POMs had been raised, or that it had terminated any of those offerings.

26. As a result, the POM that was dated June 1, 2007 expired on June 1, 2009; the POM that was dated July 1, 2009 expired on July 1, 2011; and the POM that was dated July 1, 2011 expired on July 1, 2013.

27. The POMs DenSco issued to existing and potential investors in 2007, 2009 and 2011 each stated that "[i]n order to continue offering the Notes during this [two-year] period, [DenSco] will need to update this Memorandum from time to time." Each POM went on to state that

> 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 Security Act for employing a manipulative or deceptive practice in the sale of securities, subjecting [DenSco], and possibly the management of [DenSco], 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 [DenSco's] operations. (Emphasis added.)

28. DenSco's records do not reflect that DenSco ever took steps to "[k]eep[] the information in the [POMs DenSco issued in 2007, 2009 and 2011] current" by issuing updates to those POMs during the two-year period each of those POMs was in effect.

29. The files that Beauchamp maintained, and the billing statements issued to DenSco by his respective law firms, do not reflect that Beauchamp ever advised DenSco to "[k]eep[] the information in the [POMs DenSco issued in 2007, 2009 and 2011] current" by issuing updates to those POMs during the two-year period each of those POMs was in effect.

30. Each POM that DenSco issued in 2007, 2009 and 2011 prominently warned potential purchasers of DenSco's promissory notes that "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."

(4) In Preparing the 2011 POM, Beauchamp Failed to Investigate a "Red Flag" About DenSco's Lending Practices.

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

> Since inception through June 30, 2011, [DenSco] has participated in 2622 loans, with an average amount of $116,000, with the highest loan being $800,000 and lowest being $12,000. The aggregate amount of loans funded is $306,786,893 with property valued totaling $470,411,170. . . 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 [DenSco]."

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

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

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

34. Since 2009, when the previous POM had been issued, Chittick made more than one loan a day: 412 in 2009; 390 in 2010; and 378 in just the first six months of 2011.

35. A reasonable securities lawyer would have questioned whether Chittick could humanly make so many loans, and whether he was competently managing DenSco's lending activities.

36. A reasonable securities lawyer would have conducted a due diligence inquiry about DenSco's lending practices and the 2011 POM's representations that "[a]ll real estate loans funded by [DenSco] have been and are intended to be secured through first position trust deeds," and that DenSco was, in fact, "attempting to ensure that one borrower will not comprise more than 10 to 15 percent of the total portfolio," among other representations.

37. Any concerns about DenSco's lending practices would have been heightened by the increased amount of money Chittick had raised in the first half of 2011 ($1.9 million more than the $2.8 million that had been raised in all of 2010), and the overall amount of money DenSco had raised since 2001 through the sale of promissory notes ($26.9 million as of June 30, 2011).

38. Bryan Cave had a mandatory due diligence procedure in place at the time Beauchamp was working on the 2011 POM. As Beauchamp told Chittick in a June 11, 2011 email, he was required by Bryan Cave's "internal compliance procedures to comply with the new regulations and requirements" to "set up a due diligence file" that would "support each of the statements in the POM."

39. But the files that Beauchamp maintained, and the billing statements Bryan Cave issued to DenSco, do not reflect that Beauchamp ever conducted any due diligence on DenSco's lending practices in 2011.

40. Beauchamp overlooked this red flag and would later overlook other red flags.

3. Beauchamp Also Advised DenSco About Its Lending Practices.

41. In addition to preparing DenSco's POMs and advising DenSco on securities law matters, Beauchamp advised DenSco about its lending practices.

42. As Beauchamp wrote in a June 15, 2007 email to Richard Carney, he and others at Gammage & Burnham had "updated DenSco's . . . loan documents to be used with borrowers."

43. The files that Beauchamp maintained from his time at Gammage & Burnham reflect that he had a meeting with Chittick on May 3, 2007, during which Chittick asked Beauchamp to review and revise the documents DenSco used to make and secure its loans.

44. At Beauchamp's request, Gammage & Burnham attorney Kevin Merritt took the lead in making those revisions, but Beauchamp remained involved in reviewing the revisions and discussing them with Chittick.

45. Chittick told Beauchamp and Merritt that DenSco used a Receipt and Mortgage, which only the borrower signed, to serve as evidence that DenSco had paid directly to a Trustee the proceeds of a loan a borrower had obtained from DenSco to buy property from the Trustee at a Trustee's sale.

46. Chittick told Beauchamp and Merritt that because there was often a delay in a Trustee recording a Trustee's deed after a trustee's sale, DenSco recorded its Receipt and Mortgage immediately after a Trustee's sale had been completed to establish its lien rights. Once aTrustee's deed was recorded, DenSco would record its Deed of Trust and Assignment of Rents.

47. In May and June 2007, Merritt prepared for DenSco's use revised forms of a Receipt and Mortgage, Note Secured by Deed of Trust, Deed of Trust and Assignment of Rents, and a Continuing Personal Guaranty, which Beauchamp received.

48. The revised Receipt and Mortgage, like the previous form, was to be signed by the borrower only, and not the Trustee. The operative language included the following terms:

> The undersigned borrower ("Borrower") acknowledges receipt of the proceeds of a loan from DenSco Investment Corporation ("Lender") in the sum of $___, ***as evidenced by check payable to _____ ("Trustee")***. The loan was made to Borrower to purchase the Real Property legally described as: Lot ___, Subdivision ____, according to Book ___ of Maps, Page ___, in the plat record in the Recorder's Office of Maricopa County. Address: _____. ***At a trustee's sale conducted by Trustee, which took place on ____, 200_, Borrower became the successful purcher with the highest bid***, and the loan is intended to fund all or a part of the purchase price bid by Borrower at such trustee's sale. (Emphasis added.)

49. As revised by Merritt, the Receipt and Mortgage contemplated that DenSco would: (1) issue a check payable to the Trustee; and (2) employ some means to confirm that the check had been used by the borrower to purchase the property from the Trustee at a Trustee's sale.

50. Beauchamp has testified in an interrogatory answer that he "prepared all of DenSco's offering documents" and "reviewed and commented on" DenSco's loan documents, including the Receipt and Mortgage."

51. Beauchamp also testified that he "set out the proper method and procedures for funding a loan" in the POMs, which he said were "disclosed to DenSco's investors [as] the processes and procedures DenSco used to protect the investments made in the company." He identified two specific representations made in the POMs that DenSco issued in 2007, 2009 and 2011. According to Beauchamp, those POMs

a. "describe that DenSco 'intends to directly . . . or indirectly . . . perform due diligence to verify certain information in connection with funding a Trust Deed'" and

b. "explain that '[p]rior 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 owners, verifying the documentation and performing limited credit investigations as are deemed appropriate by the Company and visiting the subject property in a timely manner.'"

52. After identifying those representations, Beauchamp linked them to the Receipt and Mortgage, testifying: "Further, every mortgage evidencing a property purchase made with a DenSco loan stated that the check purchasing the property was made to the Trustee."

4. In 2009 and 2010, Beauchamp Advised DenSco About Whether DenSco Should be Regulated by the Arizona Department of Financial Institutions, and in 2010 and 2011 Worked to Prevent the Department from Regulating DenSco.

53. Beauchamp also advised DenSco about whether it was subject to regulation by the Arizona Department of Financial Institutions ("ADFI"); such regulation would have included periodic audits of DenSco's lending practices. He then represented DenSco in fending off the ADFI's efforts to regulate DenSco.

54. During April 2009, when Beauchamp was a partner of Bryan Cave, Beauchamp and Bryan Cave attorney Ray Burgan reviewed DenSco's lending procedures and advised DenSco as to whether DenSco was subject to ADFI supervision and required to be licensed.

55. Beauchamp and Burgan advised Chittick by email that "DenSco's operations as we understand them can be shown to exclude DenSco and you from being subject to [the ADFI's] current licensing requirements."

56. Chittick accepted their advice and followed it.

57. In May 2010, Beauchamp reviewed and analyzed proposed new licensing regulations and conferred with Chittick about them.

58. In June 2010, Beauchamp and Bryan Cave attorneys Logan Miller and Michael Dvoren further analyzed those proposed regulations.

59. Chittick stated by email that he was prepared to have DenSco and himself subject to regulation by the ADFI.

60. But based on Beauchamp's advice, Chittick did not cause DenSco to be regulated by the ADFI and took active steps to resist such regulation.

61. At Beauchamp's direction, in June 2010, Dvoren presented arguments to a representative of the ADFI as to why DenSco was not subject to the Department's regulation and oversight. Those arguments were memorialized in emails that Dvoren sent to representatives of the ADFI and the Arizona Attorney General's Office.

62. Beauchamp's and Dvoren's arguments were apparently successful, as the ADFI did not take further steps in 2010 to regulate DenSco.

63. On August 12, 2011, Chittick sent Beauchamp a letter DenSco had received from the ADFI regarding an investigation by the Department as to whether DenSco was subject to mortgage broker regulations and required to be licensed and supervised by the Department.

64. On August 22, 2011, Beauchamp sent a letter to the Department which asserted that DenSco was not subject to regulation by the ADFI.

65. Those arguments were apparently successful, as the ADFI did not take further steps in 2011 to regulate DenSco.

5. Beauchamp Consistently Identified DenSco As His Client

66. Files maintained by DenSco, Gammage & Burnham and Bryan Cave reflect that while Beauchamp was affiliated with Gammage & Burnham and Bryan Cave he consistently identified DenSco as his client, and never stated in an engagement letter that he represented Chittick individually.

67. For example, on May 7, 2007, Beauchamp sent Chittick a letter to confirm that DenSco had retained Gammage & Burnham to prepare the 2007 POM which stated, in part, "As we have previously done, DenSco Investment Corporation ("DenSco") will continue to be the client for this matter. If that is not consistent with your understanding, please advise me immediately."

68. On April 10, 2008, Beauchamp sent Chittick a letter to confirm that Bryan Cave had been retained "to provide legal services to DenSco Investment

Corporation in connection with [its] general business matters and such future matters that we mutually agree to undertake."

69. On April 14, 2009, Beauchamp sent Chittick a letter to confirm that Bryan Cave had been retained "to provide legal services to DenSco Investment Corporation in connection with updating [its] Confidential Private Offering Memorandum for 2009."

70. During 2010, Beauchamp caused a "Blue Sky Issues" matter to be established in Bryan Cave's accounting and filing system which identified DenSco as the firm's client.

71. On May 3, 2011, Beauchamp sent Chittick a letter to confirm that Bryan Cave had been retained "to provide legal services to DenSco Investment Corporation in connection with the updating of [its] Confidential Private Offering Memorandum for 2011."

72. In May and June 2011, Beauchamp discussed with Chittick his or DenSco's possible participation in a to-be-formed title insurance company. Beauchamp established a new matter in Bryan Cave's accounting and filing systems for DenSco, described as "Formation of affiliate entity with partners." DenSco was identified as Bryan Cave's client.

73. In August 2011, Beauchamp caused a new matter in Bryan Cave's accounting and filing systems to be opened, captioned AZ Practice Review, which identified DenSco as the firm's client.

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

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

75. Between May 9 and July 1, 2013, Beauchamp took some preliminary steps to prepare a new POM but did not begin drafting a new POM. He also failed to

conduct the due diligence that a reasonable securities lawyer would have undertaken. He failed to investigate red flags about DenSco's lending practices when they were brought to his attention.

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

76. One apparent reason for Beauchamp's inattention to DenSco's need for a new POM was that he spent the summer months looking for a new job.

77. Information the Receiver has received in response to a subpoena served on Bryan Cave suggests that on or shortly after June 4, 2013, Beauchamp was informed by Bryan Cave's management committee that the firm wanted to end its relationship with Beauchamp and that he would need to find a new law firm where he could practice law.

78. Bryan Cave's decision understandably was not well received by Beauchamp. As he wrote in a January 15, 2014 email to his former partner Bob Miller explaining why he did not wish to attend a meeting at Bryan Cave's offices, "[m]y last few months [at Bryan Cave] were more than a little difficult and I do not want to go back to that."

79. Beauchamp finalized the terms of his employment by Clark Hill by mid- to late-August 2013.

80. Beauchamp's notes reflect that he spoke to Chittick on August 26, 2013 and told him that "BC will be sending a letter to Denny & letting Denny decide if he wants files kept at BC or moved to CH."

81. On August 30, 2013, Beauchamp sent Chittick by email a letter that he and Jay Zweig, the managing partner of Bryan Cave's Phoenix office, both signed, informing DenSco that Beauchamp would be leaving Bryan Cave effective August 31, 2013, and that Beauchamp would be joining Clark Hill.

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

82. The files that Beauchamp maintained at Bryan Cave and Bryan Cave's billing statements reflect that Chittick had to prompt Beauchamp to start working on a new POM in 2013.

a. On March 17, 2013, Chittick sent Beauchamp an email proposing to meet in April to begin working on an updated private offering memorandum.

b. On May 1, 2013, Chittick sent another email to Beauchamp which stated: "it's the year we have to do the update on the memorandum, when do you want to start?"

c. Beauchamp responded by email that day and scheduled a meeting for May 9, 2013.

83. Despite those documents, Beauchamp claims in Defendants' initial disclosure statement (at 5) that he, rather than Chittick, was the one who started the process of preparing a new POM in 2013 when he "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."

84. Beauchamp caused a new matter to be established in Bryan Cave's accounting and filing systems for the preparation of a 2013 POM which identified DenSco as Bryan Cave's client.

85. When the matter was opened, Bryan Cave established a "due diligence" file for a 2013 POM.

86. Before the May 9, 2013 meeting, Beauchamp prepared or caused to be prepared a draft private offering memorandum dated "May __, 2013" (the "draft 2013 POM").

87. With the exception of the title page, the draft 2013 POM was a duplicate of a preliminary draft of the 2011 POM, which Bryan Cave attorney Gus Schneider had

sent to Chittick on June 15, 2011 at Beauchamp's direction, when Schneider and Beauchamp were working on the 2011 POM.

88. During the May 9 meeting, Beauchamp took a few notes and apparently underlined or circled a few passages in the draft 2013 POM.

89. Beauchamp's notes reflect that Chittick told him during the meeting that DenSco had as of that date raised over $50 million from 75 to 80 investors who collectively held 114 accounts.

90. Beauchamp stopped working on the draft 2013 POM after learning how much money DenSco had raised since the 2011 POM. As he would later tell Bryan Cave partner Elizabeth Sipes through a June 25, 2013 email: "We stopped the updating when we were told that the investments from the investors had jumped to approximately $47.5 million. Given that significant increase, I have been asking for help to determine what other federal or state laws might be applicable."

91. According to Bryan Cave's billing statement, the only work Beauchamp performed during May 2013 on the draft 2013 POM was for less than thirty minutes of "[w]ork on issues and follow-up" on May 10 and less than thirty minutes of "[w]ork on issues and information for Private Offering Memorandum" on May 31, 2013.

3. During June 2013, Beauchamp Learned From Another Bryan Cave Lawyer That DenSco's Website Violated Federal Securities Laws.

92. Although Beauchamp learned on May 9, 2013 that DenSco had nearly $50 million of investor loans and told his Bryan Cave colleagues that he stopped working on the draft 2013 POM when he learned of that fact so that he could investigate what federal or state laws were implicated by the substantial increase in DenSco's sales of promissory notes, Beauchamp waited until June 10, 2013 before seeking assistance from other Bryan Cave attorneys.

a. On June 10, 2013, Beauchamp sent an email to Ken Henderson, an attorney in Bryan Cave's New York City office, copied to William Seabaugh, an attorney in Bryan Cave's St. Louis office.

b. His email stated, in part: DenSco "is a client which makes high interest loans (18% with no other fees) secured by first lien position against real estate. . . . DenSco has previously had aggregate investor loans outstanding at approximately $16 to $18 million from its investors. We are starting the process to update and renew DenSco's private offering memo (renew it every two years) and we have now been advised that DenSco now has almost $47 million in aggregate investor loans outstanding."

c. Beauchamp said he was seeking "guidance or direction" as to whether DenSco, with close to $50 million of investor funds, was subject to certain federal securities acts and regulations.

d. Henderson suggested by email that Beauchamp confer with Robert Pedersen, an attorney in Bryan Cave's New York City office, and Elizabeth Sipes, an attorney in Bryan Cave's Denver office.

93. On June 11, 2013, Beauchamp sent an email to Chittick which stated: "How many investors hold notes from DenSco? We are trying to determine what exclusions DenSco could qualify for with respect to the other applicable federal statutes. I do not have that number in my notes."

94. Chittick responded by email that day, telling Beauchamp DenSco had 114 individual accounts, held by approximately 80 families.

95. On June 17, 2013, Beauchamp received an email from Pedersen. Pedersen noted that he had reviewed DenSco's website, and had asked Randy Wang, an attorney in Bryan Cave's St. Louis office, whether DenSco was in compliance with the Securities Act of 1933. Pedersen wrote: "Randy questioned whether in the DenSco Investment Corp. case, the existence of, and/or statements made on, the DenSco

[website] which I had brought to his attention, made the transaction exemption unavailable to DenSco. In any event you may wish to discuss further with Randy."

96. Beauchamp then printed information from DenSco's website, which included a section captioned "Investor Requirements" that purported to provide an "abbreviated description" of "legal definitions" found in the 2011 POM and related subscription agreement, including a definition of accredited investor.

97. Although Beauchamp had been representing DenSco since 2003, and his files reflect that he regularly reviewed DenSco's website, it was another Bryan Cave lawyer, with no prior involvement in Bryan Cave's representation, who immediately identified this significant issue.

98. Beauchamp wrote an email to Wang on June 17, 2013, which stated: "With respect to the client's statements on its website, I was not aware that the client had added his personal description of what is an eligible 'accredited investor' to the DenSco website. I will have him take it down. I also have a call into him to ask when he added that language. Previously, his website was just for potential borrowers and for existing investors. It included his view of the real estate lending market and explained the status of the properties that DenSco had commenced or might have to commence a Trustee Sale to take ownership of the security for a loan. Given his 'layman's description of an accredited investor' on the website, does that constitute general solicitation, which will cause the offering to no longer qualify under Regulation D? If so, can we discuss what we need to tell him that he needs to do to resolve the loss of his exempt security status?"

99. Beauchamp's notes reflect that he spoke to Wang on June 17, 2013.

100. Beauchamp's notes also reflect that he spoke to Chittick on June 17, 2013.

101. After talking to Chittick, Beauchamp sent an email to Wang on June 17, 2013, which stated, in part: "I talked to Denny Chittick, the owner of DenSco. Denny has already had the website modified. Denny also reviewed the list of his investors

(there are only 114 individual investors from approx 80 families). All of his investors were either family or friends (or verified referrals from family or friends). . . . According to his note schedule, Denny has approximately 60 investor notes that are scheduled to expire in the next six months, so he would prefer to not be shut down and have to return all of that investment money to his investors until he could commence operations again."

102. Beauchamp received an email from Chittick late in the day on June 17, 2013, through which Chittick forwarded his email exchange with a vendor confirming that information regarding interest rates offered for promissory notes and the entire "Investor Requirements" section had been removed from DenSco's website.

103. Beauchamp spoke to Wang on June 18, 2013. His notes reflect that Wang "does not have a clean path for the private placement" and that he and Beauchamp discussed a number of "judgment calls" which were described in Beauchamp's notes as follows: *(i)* "whether website constitutes 'General Solicitation' – probably yes"; *(ii)* "would a waiver of Right of Rescission be helpful – probably not → that just resolves the individual claim + not the offering itself"; *(iii)* "would starting a new company be helpful – probably not – still would be integrated offering." Beauchamp's notes concluded by stating "Randy does not have a solution" and a list of the names of other Bryan Cave attorneys Beauchamp should contact.

104. On June 20, 2013, Beauchamp sent an email to Bryan Cave attorneys Henderson, Wang, Robert Endicott in the firm's St. Louis office, and Garth Jensen in the firm's Denver office. Beauchamp's email stated, in part:

> DenSco "is a client which makes high interest loans (18% with no other fees) secured by first lien position against Arizona real estate. . . . As part of our due diligence for this offering, we reviewed the client's website. On its website, the client lists several pieces of information concerning Arizona real estate, but the client has also added Denny Chittick's personal description of who or what is an eligible 'accredited investor.' In addition, the website also referenced the interest rate paid by DenSco to its investors. ***After we advised the client that this could be deemed to be "general solicitation" in violation of Regulation D, the client immediately took down these references from its website.*** . . . Randy and I are concerned that if this information on the website is deemed to constitute 'general solicitation' then the offering will no longer qualify under

Regulation D. . . . ***According to his note schedule, Denny has approximately 60 investor notes that are scheduled to expire in the next 6 months (and to probably be rolled over into new notes), so he would prefer to not be shut down and to have to return all of that investment money to his investors until he could commence operations again.*** Issue: Does anyone have any suggestion or thoughts that we can advise the client (short of closing down its business for six months) that he needs to do to resolve the loss of his exempt security status?" (Emphasis added.)

105. Henderson and Wang responded to Beauchamp's email on June 20, 2013, discussing when the "'JOBS Act' requirement that the SEC eliminate the general solicitation requirement for all accredited investors offerings [would] become effective[.]"

106. On June 25, 2013, Beauchamp sent an email to Sipes which stated, in part: "Attached is the previous POM for the client which has only had the date changed. We stopped the updating when we were told that the investments from the investors had jumped to approximately $47.5 million. Given that significant increase, I have been asking for help to determine what other federal or state laws might be applicable. Bob Pederson of NY has said that the Trust Indenture Act will not be applicable so long as the client is under the Regulation D, Rule 506 exemption. The other big issues [that] have waited for your help to discern [is] if we need to comply with the Investment Advisors Act of 1940 and the Registered Investment Advisors requirements."

107. Beauchamp spoke to Sipes on June 27, 2013. Beauchamp's notes reflect that Sipes told him the 2011 POM had incorrectly referenced an exemption under the Investment Company Act, that she was considering other issues, and that she would follow up by email.

108. Beauchamp spoke to Chittick on June 27, 2013. Beauchamp's notes reflect that he shared with Chittick the information he had received from Sipes.

109. Chittick sent Beauchamp an email on June 27, 2013 to again confirm that the requested changes to the website had been completed. He added, "Oh ya I just took in another 1.1 million yesterday."

4. During June 2013, Beauchamp Learned That Representations Made In the 2011 POM About DenSco's Lending Practices Were Materially Misleading But Failed to Conduct any Investigation Of DenSco's Lending Practices.

110. Beauchamp received an email from Chittick on June 14, 2013.

111. Chittick's email, which was copied to Yomtov "Scott" Menaged, said, in part: "I have a borrower, to which I've done a ton of business with, million[s] in loans and hundreds of loans for several years[.] [H]e's getting sued along with me. . . . Easy Investments[] has his attorney working on it[.] [I]'m okay 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, [whose] contact info is below."

112. Chittick's email included a forwarded email from Menaged which provided contact information for his attorney, Jeffrey J. Goulder.

113. Copies of a summons, the first four pages of a complaint, a certificate of compulsory arbitration, and a lis pendens were attached to the email.

114. Menaged responded to the email by telling Beauchamp in an email to "bill me for your services and utilize my attorney for anything you may need."

115. The complaint and other documents Beauchamp received identified by street address and legal description of the foreclosed home at issue in the lawsuit; they also identified the names of the former owners.

116. After reviewing these documents, Beauchamp sent an email to Chittick on June 14, 2013 which said "***We will need to disclose this in POM.***" (Emphasis added.)

117. Bryan Cave's billing records reflect that Beauchamp billed DenSco for 30 minutes of time on June 14, 2013 devoted to "[e]mail to D. Chittick regarding need to disclose pending litigation in Private Offering Memorandum; review email from D. Chittick; review requirements."

118. The complaint had been filed in Maricopa County Superior Court by Freo Arizona, LLC against DenSco; Easy Investments, LLC; Active Funding Group, LLC; Ocwen Loan Servicing, LLC; and another defendant.

119. According to the excerpt of the complaint that Beauchamp received,

a. A home in Peoria, Arizona was to be sold at a trustee's sale.

b. Freo claimed to have purchased the home on March 18, 2013, before the date of the scheduled trustee's sale, by paying Ocwen Loan Servicing the payoff amount for the mortgage, and that the sale was documented in a warranty deed that had been recorded with the Maricopa County Recorder's Office.

c. Ocwen failed to timely instruct the trustee to cancel the trustee's sale.

d. On March 22, 2013, ***Easy Investments*** acquired the property at a trustee's sale, and then ***"attempted to encumber the property with deeds of trust to Active [Funding Group] and DenSco.***" (Emphasis added.)

e. Freo filed its lawsuit to establish that it owned the property free and clear of liens asserted by Active Funding Group and DenSco.

120. The *Freo* complaint put Beauchamp on notice that DenSco's 's 2011 POM was materially misleading because DenSco was not following the "proper method and procedures for funding a loan" which, according to Beauchamp's interrogatory answers, were described in the 2011 POM as including "'due diligence to verify certain information in connection with funding a Trust Deed'" and "'conduct[ing] a due diligence review by . . . verifying the documentation.'"

121. It was apparent from the *Freo* complaint that Chittick had not conducted any due diligence before loaning money to Easy Investments to acquire this particular home, since the property had been sold, according to public records, five days before a trustee's sale. Under such circumstances, the loan funded by DenSco could not have

been a loan "intended to be secured through [a] first position trust deed[]," as DenSco had represented in the 2011 POM.

122. It was also apparent from the *Freo* complaint that Chittick had not exercised appropriate care in loaning money to Easy Investments, since Freo alleged that Easy Investments had "attempted to encumber the property with deeds of trust to Active [Funding Group] and DenSco." That allegation called into question both the due diligence Chittick had employed in selecting Easy Investments as a borrower and the practices Chittick followed in funding loans made by DenSco.

123. Although the files Beauchamp maintained and Bryan Cave's billing records reflect that the only actions Beauchamp took after receiving Chittick's June 14, 2013 email were to spend 30 minutes to "review email from D. Chittick" and to send "[e]mail to D. Chittick regarding need to disclose pending litigation in Private Offering Memorandum," Beauchamp claims in Defendants' initial disclosure statement (at 6-7) that he did more than that.

124. Beauchamp claims that after reviewing the *Freo* complaint, he "advised Mr. Chittick . . . 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." This is an admission by Beauchamp that he knew in June 2013 that the 2011 POM was materially misleading.

125. Beauchamp goes on to say in Defendants' initial disclosure statement that "Mr. Chittick explained to Mr. Beauchamp that this was an isolated incident with a borrower, Menaged, whom Mr. Chittick described in his email as someone he had 'done a ton of business with . . . hundreds of loans for several years . . . ."

126. If a jury believes that Beauchamp actually had this discussion with Chittick, despite the absence of any email, note or billing record to support Beauchamp's claim, it should conclude that Beauchamp decided not to take any steps to

investigate Chittick's admission that DenSco had lax lending practices, or was preoccupied with his efforts to find a new law firm and did not take the time to do so.

127. An investigation into DenSco's lending practices was needed because:

a. the volume of DenSco's lending that Chittick was managing by himself (a missed red flag when the 2011 POM was prepared), had significantly increased, with the total amount of funds DenSco had received from investors approaching $50 million;

b. the allegations in the *Freo* lawsuit evidenced a lack of due diligence on DenSco's part in deciding to fund the loan in question;

c. the allegations in the *Freo* lawsuit called into question whether Menaged, whom Chittick described as one of DenSco's major borrowers, was a reliable and trustworthy person.

d. Chittick's admission that he had given funds directly to Easy Investments necessarily meant DenSco was not complying with the terms of the Receipt and Mortgage which, as Beauchamp has noted in his interrogatory answers, "stated that the check purchasing the property was made to the Trustee."

e. Beauchamp knew on June 17, 2013, when he downloaded and reviewed DenSco's website, that DenSco was representing to existing and potential investors that it followed "Lending Guidelines" under which it would be in "First Position ONLY!"

f. Beauchamp knew that DenSco would be actively selling promissory notes in the latter half of 2013, since he knew, and told his Bryan Cave colleagues on June 20, 2013, that "[a]ccording to [Chittick's] note schedule, [DenSco] has approximately 60 investor notes that are scheduled to expire in the next 6 months (and to probably be rolled over into new notes)."

g. Beauchamp knew that DenSco was actively selling promissory notes based on the 2011 POM. On June 27, 2013, for example, Chittick told him by email "Oh ya I just took in another 1.1 million yesterday."

128. Beauchamp did not conduct an investigation of the allegations in the *Freo* lawsuit regarding DenSco's lending practices, or of DenSco's lending practices generally, in June 2013 (before the 2011 POM expired on July 1, 2013) or at any time thereafter.

129. If Beauchamp had investigated the allegations in the *Freo* complaint, he would have found within minutes, by reviewing records available through the Maricopa County Recorder's website relating to the property described in the *Freo* lawsuit: *(i)* a Deed of Trust and Security Agreement With Assignment of Rents given by Easy Investments in favor of Active Funding Group, that Menaged had signed on March 25, 2013; and *(ii)* a Deed of Trust and Assignment of Rents given by Easy Investments in favor of DenSco, that Menaged had signed on April 2, 2013. Both signatures were witnessed by the same notary public.

130. Those documents confirmed the allegation in the *Freo* complaint that DenSco was not in first position on a loan it had made to Easy Investments.

131. Those documents also showed that Menaged had purposefully borrowed money, first from Active Funding and then from DenSco, using the same property as security, since he had personally signed both the Active Funding deed of trust and the DenSco deed of trust before a notary.

5. During July and August 2013, Beauchamp Took Minimal Steps to Prepare a New POM.

132. After failing to do any investigation of the allegations in the *Freo* lawsuit or of DenSco's lending practices generally, an apparently distracted Beauchamp took minimal steps in July and August 2013 to prepare a new POM.

133. On July 1, 2013, Beauchamp received an email from Sipes which stated, in part, that she didn't believe DenSco would be considered an investment advisor

under the Investment Company Act or the Investment Advisers Act and did not believe DenSco needed to limit the number of accredited investors to whom it offered promissory notes.

134. On July 10, 2013, Beauchamp forwarded to Chittick a news report that the SEC had just decided to end the ban on general solicitation.

135. Bryan Cave's billing statements reflect that between July 12, 2013 and July 31, 2013, Beauchamp recorded time to "revise disclosure in Private Offering Memorandum" and "[w]ork on and revise Private Offering Memorandum" and had additional time entries to "[w]ork on revisions to Private Offering Memorandum" or "[w]ork on issues for Private Offering Memorandum."

136. But the only document in Bryan Cave's file that reflects any revisions Beauchamp made to the draft of a 2013 POM is a draft containing several of his handwritten edits. They included a note on the cover of the draft to "revise to new version for B/L purposes," but no blacklined draft of a 2013 POM exists in Bryan Cave's file.

137. Bryan Cave's billing records reflect that the only work Beauchamp performed on the draft 2013 POM during August 2013 was to exchange emails on August 6, 2013 with Jensen asking for a form subscription agreement to comply with changes to Rule 506.

138. When Beauchamp left Bryan Cave in August 2013, the "due diligence" file for the draft 2013 POM contained only three documents: (1) a June 18, 2013 article captioned "Determining whether a company is an investment company"; (2) a printout from DenSco's website dated June 17, 2013; and (3) a July 28, 2010 article captioned "Private Fund Investors Advisors Registration Act of 2010: New Law Changes Regulatory Framework for Alternative Investment Advisors."

139. Beauchamp's notes reflect that he left a voicemail message for Chittick on August 26, 2013 regarding "need to work on the latest version of POM that Denny has w/ the prior experience charts. Need to discuss timing and update."

140. His notes go on to reflect that he spoke to Chittick on August 26, 2013 and that he "explained delay w/ POM," discussed the "need to get copy of Denny's latest POM & make changes to it," and discussed that "BC will be sending a letter to Denny & letting Denny decide if he wants files kept at BC or moved to CH."

6. Beauchamp Now Claims That Chittick Was Responsible for His Failure to Prepare a New POM Before He Left Bryan Cave, But His Claim is at Odds With the Documentary Record.

141. In Defendants' initial disclosure statement (at 5), Beauchamp claims that he "was never able to finalize the 2013 POM" because of Chittick. He says that "[a]lthough [he] 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."

142. But Beauchamp's claim has absolutely no support in the documentary record, and is at odds with that record. Not only is there nothing in Bryan Cave's files reflecting that Beauchamp asked Chittick for information that was not provided or that Chittick engaged in "stalling" tactics by Chittick, but the files reflect that Chittick promptly gave Beauchamp the information he requested, and followed Beauchamp's advice, such as when Chittick promptly changed DenSco's website after Beauchamp told him to do so.

143. Moreover, the corporate journal Chittick maintained for 2013 (the "2013 Corporate Journal") does not reflect any entries by Chittick about requests from Beauchamp for information or his declination to provide that information.

144. The only reference in the 2013 Corporate Journal to the preparation of the 2013 POM is a June 17, 2013 entry which stated: "I am going back and forth with David about how to circumvent this 50 million issue on size." That entry is consistent with Beauchamp's communications of the same date as to whether DenSco had engaged in general solicitation, an issue which, as noted above, was resolved on July 10, 2013.

7. A Distracted Beauchamp, After Failing to Prepare a New POM by July 1, 2013, Did Not Advise DenSco to Stop Selling Promissory Notes Until a New POM Was Issued.

145. By its terms, the 2011 POM expired on July 1, 2013.

146. There is no evidence in the documentary record that Beauchamp, with one foot out Bryan Cave's door, ever advised DenSco that it could not sell any new promissory notes after July 1, 2013 until it issued a new POM, and Beauchamp does not claim that he did so.

147. Beauchamp, preoccupied with finding a new law firm where he could continue to practice law, failed to give that advice, even though he knew, as he told his Bryan Cave colleagues in a June 20, 2013 email, that DenSco had "approximately 60 investor notes that are scheduled to expire in the next 6 months (and to probably be rolled over into new notes)."

148. And while Beauchamp claims in Defendants' initial disclosure statement (at 7) that "[p]rior to his departure" from Bryan Cave, he "repeatedly made clear to DenSco and Mr. Chittick that they needed to update DenSco's POM," there is no documentary support for that claim.

149. Even if a jury believes that Beauchamp actually gave that advice, despite the absence of any supporting documents, the advice fell short of an explicit instruction that no sales could be made until a new POM was prepared. Without that instruction, Chittick was effectively told that DenSco could indefinitely delay "updating" its POM while continuing to sell promissory notes.

8. Because of Beauchamp's Inattention, Chittick Caused DenSco to Sell Approximately $3.3 Million of Promissory Notes Before Beauchamp Left Bryan Cave.

150. Because Beauchamp failed to prepare a new POM by July 1, 2013 and failed to tell Chittick that DenSco could not sell promissory notes until a new POM was issued, Chittick caused DenSco, during July and August 2013, to sell promissory notes to some of the "approximately 60 investor[s]" whose notes Beauchamp knew were

"scheduled to expire in the next 6 months (and to probably be rolled over into new notes)."

151. In each case, an investor who had purchased a two-year promissory note in 2011, which expired in July or August 2013, purchased a new two-year promissory note. Those sales, which total $2,337,653.47, are summarized in the following chart.

Investor	Amount	Date
Jeff Phalen	$100,000	7/1/13
Gary Thompson	$250,000	7/3/13
Kaylene Moss	$10,000	7/12/13
Branson & Saundra Smith	$250,000	7/13/13
Ralph Kaiser IRA	$170,653.47	7/17/13
Jimmy Trainor	$122,000	7/22/13
Russ Grisswold IRA	$50,000	7/24/13
William Alber	$60,000	7/28/13
Carol Wellman	$50,000	7/28/13
Tom Smith	$400,000	8/2/13
GE Seigford	$70,000	8/2/13
GE Seigford	$40,000	8/2/13
Carysn Smith	$10,000	8/2/13
McKenna Smith	$10,000	8/3/13
Gary Thompson	$145,000	8/3/13
Carol & Mike Wellman	$25,000	8/5/13
Stacy Grant IRA	$75,000	8/8/15
GE Seigford	$50,000	8/18/15
Tom Smith	$400,000	8/24/15
Dale Hickman	$50,000	8/30/15

152. In addition to these "rollover" promissory note sales, Chittick caused DenSco to sell $926,567 of new promissory notes to existing and new investors during July and August 2013. Those sales are summarized in the following chart.

Investor	Amount	Date	Maturity
Laurie Weiskopf	$100,000	7/10/13	7/10/15
Carol McDowell	$100,000	7/3/13	7/3/15
Kevin Potempa	$100,000	7/29/13	1/26/16
Wayne Ledet	$30,567	8/23/13	8/23/15
Tom Smith	$500,000	8/26/13	2/26/15
Kirk Fischer	$70,000	8/26/13	8/26/18
Carsyn Smith	$8,000	8/26/13	8/26/15
McKenna Smith	$8,000	8/26/13	8/26/15
Averill Cate	$10,000	8/29/13	8/29/14

C. Facts Regarding Clark Hill's Representation of DenSco in 2013

1. In September 2013, Beauchamp Brought DenSco to Clark Hill as a New Client and Clark Hill Agreed to Prepare a New POM.

153. On September 11 and 12, 2013, Beauchamp exchanged emails with Chittick about taking steps to have certain DenSco files transferred from Bryan Cave to Clark Hill: "AZ Practice Review"; "Blue Sky Issues"; "Garnishments"; "General Corporate"; and "2011 and 2013 Private Offering."

154. On September 12, 2013, Beauchamp sent Chittick an engagement letter, which Chittick signed and returned that day.

155. The letter, which was captioned "Representation of DenSco Investment Corporation," stated that it would "serve[] to record the terms of [Clark Hill's] engagement to represent DenSco Investment Corporation (the 'Client'), with regard to the legal matters transferred to Clark Hill PLC from Bryan Cave LLP."

156. Clark Hill's engagement letter, like those Beauchamp had sent DenSco when he was at Gammage & Burnham and Bryan Cave, identified DenSco as Clark Hill's client.

157. But Clark Hill's engagement letter went further, and expressly stated that Clark Hill was representing only DenSco, and was not representing Chittick in any capacity.

a. The letter stated that it was "supplemented by our Standard Terms of Engagement for Legal Services, attached, which are incorporated in this letter and apply to this matter and the other matter(s) for which you engage us."

b. The "Standard Terms of Engagement for Legal Services" included a section called "Whom We Represent." That section stated: "The . . . entity whom we represent is the . . . entity identified in our engagement letter and does not include any . . . employees, officers, directors, shareholders of a corporation . . . unless our engagement letter expressly provides otherwise."

158. Even though this engagement letter clearly and expressly stated that Clark Hill represented only DenSco and was not also representing Chittick, Clark Hill and Beauchamp say in their initial disclosure statement (at 3) that "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."

159. On September 13, 2013, Beauchamp took steps to open a new matter for DenSco in Clark Hill's accounting and filing systems that was mis-identified as "2003 Private Offering Memorandum." Beauchamp's notes stated that the file was being opened to "[f]inish 2013 POM for client. Started POM update at Bryan Cave."

160. Beauchamp opened this file, obligating Clark Hill to provide securities advice to DenSco and to diligently and promptly "finish [the] 2013 POM," knowing that the 2011 POM had expired on July 1, 2013, no new POM had been issued, and that as of June 20, 2013, "[a]ccording to [Chittick's] note schedule, [DenSco] ha[d]

approximately 60 investor notes that are scheduled to expire in the next 6 months (and to probably be rolled over into new notes)."

2. According to Clark Hill's Records the Firm Did No Work Whatsoever on a New POM During the Months of September, October, November and December 2013.

161. Clark Hill's records show that neither Beauchamp nor any other Clark Hill attorney performed *any* work on a new POM during September, October, or November 2013.

162. The records also show that neither Beauchamp nor any other Clark Hill attorney even attempted to contact Chittick about the new POM.

a. On December 18, 2013, Chittick Asked Beauchamp By Email Why the New POM Had Not Been Finished.

163. The first time entry in Clark Hill's billing records relating to a new POM is a twelve-minute entry by Beauchamp on December 18, 2013 to "review email; telephone conversation with D. Chittick; review POM."

164. The email referenced in that time entry is an email that Chittick sent to Beauchamp on December 18, 2013, saying "since you've moved, we've never finished the update on the memorandum. Warren is asking where it is."[1]

165. Beauchamp did not send Chittick a response to that email.

166. There are not any notes in Clark Hill's files made by Beauchamp that summarized his December 18, 2013 call with Chittick.

167. Beauchamp apparently asked Chittick during that call to send him a copy of the 2011 POM, since Chittick emailed Beauchamp an electronic copy of the final 2011 POM during the late morning of December 18, 2013. Beauchamp promptly responded, saying simply "[t]hank you. Have a wonderful holiday season."

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[1] Chittick was apparently referring to Warren Bush, an investor who had reviewed and commented on a draft of the 2011 POM, and had communicated with Beauchamp about that draft.

168. Beauchamp forward Chittick's e-mail to his secretary that afternoon, asking her to "put this on our system for DenSco Investment Corporation/2013 POM."

b. Clark Hill Claims That Beauchamp Learned During the December 18, 2018 Call With Chittick About Problems in DenSco' Loan Portfolio but Clark Hill Did Nothing to Investigate Those Problems Nor Did It Begin Preparing a New POM.

169. In their initial disclosure statement (at 7), Clark Hill and Beauchamp make claims about Beauchamp's December 18, 2013 telephone call with Chittick that are at odds with Clark Hill's file, including its billing statement. They allege that Chittick told Beauchamp "he had run into an issue with some of his loans with 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."

170. Clark Hill and Beauchamp claim that, "[a]fter 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. Accordingly, Mr. Beauchamp suggested that Mr. Chittick develop and document a plan to resolve the double liens, and nothing more came of the conversation."

171. Lastly, Clark Hill and Beauchamp claim that during the telephone conversation "Mr. Beauchamp reminded Mr. Chittick that he still needed to update DenSco's private offering memorandum."

172. No document in Clark Hill's file, such as the handwritten notes that Beauchamp consistently and regularly kept to record his telephone conversations and meetings with Chittick, exists.

173. The 2013 Corporate Journal does not have any entries by Chittick reflecting that he had such a conversation with Beauchamp in December 2013.

174. If a jury were to believe Beauchamp's claim that he had such a conversation with Chittick on December 18, 2013, despite the lack of evidence, it could only conclude that Clark Hill and Beauchamp were negligent by:

a. Failing to immediately investigate the information Beauchamp received about the Menaged loan problem, since Clark Hill had an affirmative duty to diligently and timely prepare a new POM, having agreed to do so in September 2013; and

b. Failing to expressly instruct Chittick that DenSco could not sell ***any*** promissory notes, since the 2011 POM had expired and a new POM had not yet been issued.

i. By merely "reminding" Chittick that DenSco needed to "update" the 2011 POM, knowing that one-half of its investors would be "rolling over" promissory notes during the last six months of 2013, Beauchamp effectively advised Chittick that DenSco could indefinitely delay "updating" the 2011 POM while continuing to sell promissory notes.

3. Although Clark Hill Did Nothing in December 2013 to Prepare a New POM and Investigate Problems in DenSco's Loan Portfolio, It Devoted Time That Month to Advising DenSco About Possibly Expanding its Business to Florida.

175. In Chittick's December 18, 2013 email to Beauchamp, Chittick wrote, after asking about the status of Clark Hill's work on a new POM, about his plans to expand DenSco's business to Florida. He wrote: "[I]'ve got two of my best borrowers moving to F[L][.] [T]hey 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. [I]s it easy to find out the challenges, issues, etc with me lending there?"

176. While Beauchamp did nothing in response to Chittick's question about the status of a new POM, he immediately forwarded Chittick's e-mail to Clark Hill

attorney Daniel Schenck, asking "[w]ill you have time to do the research for Florida or should I find someone else?"

177. Beauchamp also made an 18-minute time entry on December 18, 2013 to "[r]eview email and outline Florida research."

178. Between December 20, 2013 and December 23, 2013, both Beauchamp and Schenck recorded time to conducting research and analysis on "Florida broker issues," "hard money regulatory lender requirements in Florida," and "Florida lending licenses."

179. On December 23, 2013, Beauchamp recorded 42 minutes of time to "[r]eview Florida research from D. Schenck; discuss research and follow up with D. Schenck; email to D. Chittick."

180. On Christmas Eve, December 24, 2013, Beauchamp sent Chittick an email which stated: "Happy Holidays! Quick Status: Based on a review of the Florida statutes, you would be considered a 'Mortgage Lender' which requires a license in Florida. The Florida government office that regulates 'Mortgage Lender' [sic] has been difficult to reach, but we will try again on Thursday. I want to confirm if you might be able to qualify for a limited license to operate in Florida and check a few other questions."

181. On December 26 and 30, 2013, Beauchamp and Schenck recorded time to obtaining information from the Florida Office of Financial Regulation and other information relevant to Chittick's December 18, 2013 inquiry about expanding DenSco's lending operations to Florida.

4. Clark Hill Blames Chittick for Its Failure to Prepare a New POM in 2013.

182. In their initial disclosure statement (at 7), Clark Hill and Beauchamp blame Chittick for their failure to do anything to prepare a new POM, which Clark Hill agreed to undertake in early September 2013. They say that after Chittick signed Clark Hill's engagement letter on September 12, 2013 and directed Bryan Cave to transfer

certain files to Clark Hill, "Mr. Beauchamp never heard from Mr. Chittick regarding the unfinished 2013 POM, or any other matter, until December 2013."

183. When he was deposed, Beauchamp offered a new excuse for Clark Hill's failure to do any work on a new POM. He testified that Clark Hill did nothing to prepare a new POM for DenSco because Chittick instructed him, as a condition of signing Clark Hill's engagement letter, that Clark Hill not do any work on a new POM "'until I'm ready to go,'" and Beauchamp agreed.

184. Beauchamp did not include this material limitation on Clark Hill's representation in the engagement letter he asked DenSco to sign.

185. When Clark Hill agreed to abide by Chittick's request, neither Beauchamp nor any other Clark Hill attorney separately advised Chittick that DenSco could not sell any promissory notes until it authorized Clark Hill to prepare a new POM and DenSco had issued the POM.

5. Clark Hill Was Negligent By Failing to Instruct DenSco That it Could Not Sell Any Promissory Notes Until a New POM Was Issued, and Aided and Abetted Chittick to Breach Fiduciary Duties He Owed DenSco by Following Chittick's Instructions to Not Prepare a New POM for DenSco, Knowing DenSco Was Continuing its Business Operations and Selling Rollover Promissory Notes.

186. Clark Hill was negligent by never advising Chittick that DenSco could not sell any promissory notes until it had issued a new POM.

187. The evidence that will be presented to a jury will establish that if Clark Hill had done so, DenSco would have followed that advice and worked diligently with Clark Hill to prepare a new POM so that it could resume selling promissory notes.

a. Among other evidence is Clark Hill and Beauchamp's admission in their initial disclosure statement (at 4), that "[o]ver the years, Mr. Chittick showed himself to be a trustworthy and savvy businessman, and a good client. . . . Despite complaining about the cost of legal services, Mr. Chittick appeared to follow Mr. Beauchamp's advice and provided information when asked for it."

b. Moreover, approximately six weeks before Clark Hill was retained, DenSco had immediately followed Bryan Cave's advice to modify its website, and Bryan Cave's files reflect that Chittick was prepared to cause DenSco to refund all investor loans if that was necessary to correct the "general solicitation" problem Bryan Cave had identified.

188. Beauchamp, by testifying that Clark Hill did not work on a new POM in 2013 because Chittick conditioned DenSco's execution of the firm's engagement letter on Clark Hill's agreement to not perform any work on a new POM until Chittick was "ready to go" -- when he and Clark Hill knew that one-half of DenSco's investors would "roll over" their investments and purchase new promissory notes during the last six months of 2013 --has admitted that from the moment DenSco retained Clark Hill in September 2013, Clark Hill aided and abetted Chittick in breaching fiduciary duties Chittick owed DenSco.

189. Between September and December 2013, Clark Hill substantially assisted Chittick in breaching his fiduciary duties to DenSco by:

a. accepting DenSco as a client for purposes of preparing a new POM, and then abiding by Chittick's instruction to not do any work on that POM, knowing DenSco was continuing its business operations, including the sale of promissory notes;

b. failing to appropriately advise DenSco about, and investigate facts regarding, DenSco's loan portfolio because Chittick was allegedly "dealing" with those problems; and

c. advising Chittick that DenSco could indefinitely delay the issuance of an "update" to the 2011 POM,

190. The ongoing sale of "roll over" and new promissory notes was necessary for DenSco to continue its business operations, and Clark Hill enabled DenSco to obtain investor funds for a four-month period without making adequate disclosures to those investors, exposing DenSco to substantial liability to its investors.

6. During the First Four Months of Clark Hill's Representation of DenSco, the Firm Aided and Abetted Chittick's Breach of Fiduciary Duty to DenSco When He Caused DenSco to Sell Approximately $8.5. Million of Promissory Notes in Violation of the Securities Laws

191. As a result of Clark Hill's and Beauchamp's conduct, Chittick caused DenSco between September and December 2013 to sell promisory notes to some of the "approximately 60 investor[s]" whose promissory notes Beauchamp knew were "scheduled to expire [during the last six months of 2013] (and to probably be rolled over into new notes)."

192. In each case, an investor who had purchased a two-year promissory note in 2011, which expired in September, October, November or December 2013, purchased a new two-year promissory note. Those sales, which total $4,148,162.79, are summarized in the following chart.

Investor	Amount	Date
Van Butler	$50,000	9/1/13
Arden & Nina Chittick	$100.000	9/1/13
Carysn Smith	$10,000	9/2/13
Michael & Diana Gumbert	$100,000	9/8/13
Kaylene Moss	$10,000	9/8/13
McKenna Smith	$10,000	9/8/13
Glen Davis	$20,000	9/12/13
Averill Cate, Jr.	$10,000	9/13/13
Craig Brown	$25,000	9/20/13
Judy & Gary Siegford	$40,000	9/20/13
Bill & Jean Locke	$15,000	9/25/13
Bill & Jean Locke	$30,000	9/25/13
Ralph Hey	$60,000	9/29/13
Michael & Diana Gumbert	$100,000	9/30/13

Mary Kent	$100,000	10/1/13
Jim McArdle	$100,000	10/3/13
Caro McDowell	$100,000	10/7/13
Jeff Phalen	$20,000	10/14/13
Jeff Phalen	$20,000	10/14/13
Jeff Phalen – IRA	$200,000	10/18/13
Brian Imdieke	$250,000	10/19/13
Bill Hughes – IRA	$314,700	10/24/13
Judy Hughes – IRA	$14,300	10/24/13
Manual A. Lent – IRA	$40,000	10/25/13
Dave Preston	$60,000	10/26/13
Michael & Diana Gumbert	$100,000	11/1/13
Jolene Page	$50,000	11/1/13
Stanley Scholz – IRA	$50,000	11/5/13
Wade Underwood	$50,000	11/5/13
Paul A. Kent	$112,161.79	11/9/13
Scott D. Detota	$50,000	11/14/13
Tom Smith	$800,000	11/21/13
Mary Kent	$100,000	11/21/13
Les Jones	$100,000	11/21/13
Vince & Sharry Muscat	$200,000	11/23/13
Lillian Lent – IRA	$17,000	11/25/13
Jolene Page	$50,000	12/1/13
Gary Thompson	$20,000	12/4/13
Kennen Burkhart	$150,000	12/15/13
Mo & Sam Chittick	$50,000	12/20/13
Jolene Page	$200,000	12/22/13

Brian Imdieke	$250,000	12/23/13

193. In addition to these "rollover" promissory note sales, Chittick caused DenSco to sell $4,029,066.71 of new promissory notes to existing and new investors during September, October, November and December 2013. Those sales are summarized in the following chart.[2]

Investor	Amount	Date
Ralph Hey	$15,000	9/6/13
Marvin & Pat Miller	$900,000	9/9/13
Marvin & Pat Miller	$100,000	9/9/13
Marvin & Pat Miller	$706,000	9/10/13
Ross Dupper	$800,000	9/13/13
Jeff Phalen – IRA	$150,000	9/17/13
Michael Zones	$500,000	9/24/13
Erin Carrick – Trust	$200,066.71	9/27/13
Averill Cate	$10,000	10/15/13
Jemma Kopel	$100,000	11/14/13
Averill Cate	$10,000	11/15/13*
Brian Odenthal – IRA	$8,000	12/1/13
Averill Cate	$10,000	12/15/13*
Brian & Janice Odenthal	$20,000	12/19/13
Steven Bunger	$500,000	12/20/13**

D. Facts Regarding Clark Hill's Representation of DenSco During 2014

1. Clark Hill Learned During the First Week of January 2014 That DenSco Had Suffered a Substantial Loan Loss Because of

[2] Each note was a two-year note, except those marked with an *, which were one-year notes, and the note marked with **, which matured on 3/31/14.

Chittick's Mismanagement and Failure to Follow the Lending Procedures DenSco Had Told Its Investors It Would Follow.

194. On Sunday, January 5, 2014, Beauchamp received an email from Chittick asking if he had time to meet with him during the coming week.

a. On January 6, 2014, Beauchamp Received a Demand Letter That Called into Question 52 Loans DenSco Had Made to Menaged.

195. On Monday, January 6, 2014, Beauchamp received an email from Chittick which stated: "read the first two pages, then give me a call." Attached to the email was a three-page demand letter from Bryan Cave attorney Robert J. Miller; Exhibit A, a list of 52 properties; and two subordination agreements.

196. The letter was written on behalf of Azben Limited, LLC; Geared Equity, LLC; and 50780, LLC (the "Lienholders"). It asserted that Geared Equity, 50780, and Sell Wholesale Funding, LLC (the "Lenders") had each loaned money to Arizona Home Foreclosures, LLC and Easy Investments, LLC, and that the loans Sell Wholesale Funding had made were subsequently assigned to Azben.

197. Exhibit A to the letter identified, with reference to specific loan numbers and street addresses, 52 loans that the Lenders had made to Easy Investments and Arizona Home Foreclosures to acquire 52 homes at trustee sales.

198. The letter asserted that the Lenders' loans had been made by "certified funds delivered directly to the trustee" and secured by "promptly recorded deeds of trust confirming a senior lien position on each of the Properties."

199. The letter went on to assert that DenSco had "engaged in a practice of recording a 'mortgage' on each of the [52 properties] on around the same time as the Lenders were recording their senior deeds of trust" and that ***each such mortgage falsely stated that DenSco had "provided purchase money funding" and that its "loans are 'evidenced by a check payable' to the trustee for each of the Properties***." (Emphasis added.)

200. The letter asserted that DenSco could not claim to be in a senior lien position on those properties "since in each and every instance, only the Lenders provided the applicable trustee with certified funds supporting the Borrower's purchase money acquisition for each of the Properties."

201. The letter demanded that DenSco sign subordination agreements acknowledging that it did not have a first position lien on any of the 52 properties, and said that if DenSco refused to do so, the Lienholders would assert claims against DenSco for fraud and conspiracy to defraud; negligent misrepresentation; and wrongful recordation pursuant to A.R.S. § 33-420.

202. The letter included "two forms of subordination agreement – one form document applies to the Azben loans and the other form applies to the loans of Geared Equity, LLC and 50780, LLC." A footnote stated that "[p]roperty addresses and other 'form' information will need to be included in each subordination agreement. My firm will only commence preparing a subordination agreement for each loan when written confirmation is provided that DenSco has unconditionally agreed to execute each subordination agreement in the form enclosed herein."

b. On January 6, 2014, Beauchamp Reviewed the Demand Letter, Which Provided Clear Evidence That Chittick Had Breached His Fiduciary Duties to DenSco and Exposed DenSco to Substantial Financial Loss.

203. Beauchamp spoke to Chittick by telephone that day, after receiving the letter. Beauchamp's notes from that call state that Chittick told him DenSco's "largest borrower" – who Beauchamp knew or should have known from the *Freo* lawsuit he had received in June 2013 was Menaged – "had a guy working in his office and was getting 2 loans on each property," and that Chittick and Menaged "had already fixed about 6 loans." The notes reflect that Beauchamp planned to meet with Chittick on Thursday, January 9, 2014.

204. Clark Hill's billing records reflect that Beauchamp billed 2.4 hours on January 6, 2014 to "[r]eview, work on and respond to several emails; review statutory

references; telephone conversation with office of D. Chittick [a reference to having left a voice-mail message for Chittick, since he worked alone from his home office]; telephone conversation with D. Chittick regarding demand letter, issues, background information and requirements; review notes and statute requirements; review documents."

205. From the demand letter alone, Beauchamp knew that:

a. Chittick had failed to follow the lending procedures called for by the Receipt and Mortgage document Beauchamp had approved in 2007. That document called for DenSco's borrower to present a "check payable to _____ ('Trustee')" to the Trustee. It was evident from the demand letter that DenSco had not done so. DenSco could not have issued 52 checks payable to Trustees, since the letter asserted that the Lenders had issued checks to the Trustees when they acquired those 52 properties.

b. DenSco's borrowers, Arizona Home Foreclosures and Easy Investments – which were both owned by Menaged – had obtained 52 loans from the Lenders and 52 loans from DenSco, that were to be secured by the same 52 properties. If, as the Lenders claimed, they had actually paid a Trustee for each property, DenSco had effectively made 52 unsecured loans and the disposition of those monies was unknown.

c. The potential financial impact on DenSco was substantial. Beauchamp knew from the 2011 POM that DenSco's average loan amount was $116,000, so that DenSco's potential losses from the 52 loans, if the loan proceeds could not be traced and recovered, was $6 million or more, or approximately 13% of the $47 million that Beauchamp understood DenSco had raised from investors as of June 2013.

206. Beauchamp could have easily conducted a limited investigation to evaluate the claims in the demand letter that the Lenders were in first position on each of the 52 properties, or to assess the information he had received during his telephone

call with Chittick that "a guy working in [Menaged's] office . . . was getting 2 loans on each property."

207. Beauchamp could have done so by searching for publicly recorded documents that were identified in the two subordination agreements attached to the demand letter.

a. The first of those subordination agreements identified, by reference to the instrument number assigned by the Maricopa County Recorder (2013-0832534), the Mortgage DenSco had recorded on September 16, 2013 on the property at issue. The subordination agreement also identified, by reference to a recorded instrument number (2013-0833010), the deed of trust that Sell Wholesale Funding, LLC had recorded on September 16, 2013 for the same property.

b. In January 2014, the Maricopa County Recorder's Office had a free "Recorded Document Search" function. The same tool is available today.

c. If Beauchamp had used that tool, two brief searches would have shown that the DenSco Mortgage (2013-0832534) was signed by Menaged before a notary on September 16, 2013, and that Menaged also signed the Sell Wholesale Funding deed of trust (2013-0833010) before a notary on September 16, 2013. Those searches would also have identified the property in question as 977 S. Colonial Drive in Gilbert, Arizona.

d. Those two documents show that Menaged, not "a guy in his office," had secured both loans.

e. The second of the subordination agreements attached to the demand letter identified, by reference to a recorded instrument number (2013-0717135), the Mortgage DenSco had recorded on August 6, 2013 on the property at issue. The subordination agreement also identified, by reference to a recorded instrument number (2013-0721399), the deed of trust that Geared Equity, LLC had recorded on August 7, 2013 for the same property.

f. If Beauchamp had used the Recorded Document Search tool, two brief searches would have shown that the DenSco Mortgage (2013-0717135) was signed by Menaged before a notary on August 6, 2013, and that Menaged also signed the Sell Wholesale Funding deed of trust (2013-0721399) before a notary on August 6, 2013. Those searches would have identified the property in question as 39817 Messner Way in Anthem, Arizona.

g. Those two documents show that Menaged, not "a guy in his office," had secured both loans.

208. As for the remaining 49 properties on Exhibit A to the demand letter, Beauchamp could have, either by himself, or through a paralegal, quickly discovered that in each case, Menaged, and not "a guy in his office," had signed the documents at issue.

a. This could have been done by using a free search function on the Maricopa County Assessor's Office website that allows anyone to search for property records using a street address (such as those given in Exhibit A to the demand letter), or other means of customary due diligence. The Assessor's website provides a link to a recorded instrument on the Maricopa County Recorder's Office website for each property, and that information could have in turn been used to quickly locate both the deed of trust recorded by the Lenders and DenSco's competing Mortgage by using the Recorded Document Search tool.

b. Such a search, which would take less than five minutes for each property, would produce records showing that for each of the 49 properties, Menaged had signed both a DenSco Mortgage and another lender's deed of trust before a notary, providing further evidence that Menaged, not "some guy in his office," had secured all of the loans in question, and had purposefully defrauded DenSco.

c. On January 7, 2014, Clark Hill Received an Email From Chittick in Which He Admitted That He Had Grossly Mismanaged DenSco's Loan Portfolio, Failed to Comply With the Lending Practices Disclosed in the 2011 POM, and Caused Densco to Suffer Substantial Losses.

209. On Tuesday, January 7, 2014, Beauchamp received an email from Chittick, copied to Menaged, which contained information relevant to the demand letter and said that Chittick was bringing Menaged to the planned January 9, 2014 meeting.

210. Chittick's email said that DenSco had, since 2007, loaned $50 million to "a few different LLC's" controlled by Menaged. Beauchamp knew or should have known that those companies included the two entities identified in the demand letter: Easy Investments (a defendant in the June 2013 *Freo* lawsuit) and Arizona Home Foreclosures.

211. Chittick's email said that "[b]ecause of our long term relationship, ***when [Menaged] needed money, [I] would wire the money to his account and he would pay the trustee"*** (emphasis added), Menaged would sign a Mortgage that referenced the payment to the trustee, and Chittick would cause the Mortgage to be recorded.

212. Chittick attached to his email a form of Mortgage, Deed of Trust, and Note Secured by Deed of Trust that he routinely used in making loans to Menaged, which Chittick described as "docs you have reviewed and have been reviewed by a guy at your last law firm, maybe two firms ago in 2007."

213. Chittick's email confirmed what was evident from the demand letter, and brought home the red flags Beauchamp had missed when he prepared the 2011 POM and when he reviewed the *Freo* lawsuit six months earlier:

a. Chittick had been grossly negligent in managing DenSco's loan portfolio, by not complying with the terms of the Mortgage, which called for DenSco to issue a check payable to the Trustee, and instead wiring money to Menaged, trusting Menaged to actually use those funds to pay a Trustee.

b. Chittick's admitted practice of giving DenSco's funds directly to Menaged, rather than paying them directly to a Trustee through a check made

payable to the Trustee, made the statements in the 2011 POM about DenSco's lending practices materially misleading.

214. Chittick's reference to "docs you have reviewed and have been reviewed by a guy at your last law firm, maybe two firms ago in 2007" suggested that Chittick might blame Beauchamp for the problems DenSco now faced because of DenSco's use of those documents.

215. Chittick's email went on to say that Menaged had told him in November 2013 that DenSco had been defrauded by Menaged's "cousin," who allegedly worked with Menaged in managing Easy Investments and Arizona Home Foreclosures. Menaged claimed that his "cousin" had "receiv[ed] the funds from [DenSco], then request[ed] them from . . . other lenders [who] cut a cashiers check for the agreed upon loan amount . . . [took] it to the trustee and . . . then record[ed] a [deed of trust] immediately."

216. Chittick explained that "sometimes" DenSco had recorded its mortgage before another lender's deed of trust was recorded, but in other cases it had not.

217. According to Chittick, "[t]he cousin absconded with the funds. [Menaged] figured this out in mid November. He came to me and told me what was happening. He said he 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."

218. Chittick went on to describe the "plan" that he and Menaged had been executing since November: to "sell off the properties and pay off both liens with interest and make everyone whole." He acknowledged that there were "short falls" on each property, representing the difference between the value of the property and the combined amount of the two loans, and that "[c]oming up with the short fall on all these houses is a challenge, but we believe it is doable. Our plan is a combination of injecting capital and extending cheaper money."

219. Chittick described the basic terms of the agreement with the "other lenders" as including the following: (1) "all lenders will be paid their interest, except [DenSco], I'm allowing [its] interest to accrue"; and (2) DenSco is "extending [Menaged] a million dollars against a home at 3%."

220. Chittick claimed that he and Menaged had "already cleared up about 10% of the total $'s in question" with the "other lenders."

221. As for the "gentleman who handed me the paperwork" – a reference to a person affiliated with one of the three entities identified in the demand letter – Chittick wrote that he "believes because he physically paid the trustee that he is in first position, but agrees it's messy. [H]e wants me to subordinate to him, no matter who recorded first. [W]e 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 can see that it shows me in first position versus his belief. [N]ow that's one title agent[']s opinion, [I] understand that's not settling [a] legal dispute on who's in first or second."

222. Chittick went on to state: ***"I know that [I] can't sign the subordination [agreement] because that goes against everything that [I] tell [DenSco's] investors***." (Emphasis added.)

223. He also wrote that "there are several other lenders waiting to see what [I] do[.] [I]f I sign with this group, they want to have me sign for them too."

224. Chittick concluded his email by stating "[w]hat we need is an agreement that as long as the other lenders are being paid their interest and payoffs continue to come . . . that no one initiates foreclosure for obvious reasons, which will give us time to execute our plan."

d. On January 7 and 8, 2014, Beauchamp Reviewed the Demand Letter and Chittick's January 6, 2014 Email, Including a Review of "Lien Dispute Information."

225. Clark Hill's billing records reflect that Beauchamp billed 1.8 hours on January 7, 2014 to "[r]eview legislative history for purchase money security interest;

review documents and follow-up information" and "telephone conversation with office of D. Chittick," which was a reference to having left a voicemail message for Chittick.

226. Clark Hill's billing records reflect that Beauchamp billed 1.7 hours on January 8, 2014 to "[r]eview information from D. Chittick; review and outline follow-up questions; prepare for meeting; review lien dispute information."

227. As of January 8, 2014, Beauchamp knew that:

a. Chittick had breached fiduciary duties he owed DenSco by causing it to sell promissory notes to investors during the four months that had passed since DenSco's September 2013 retention of Clark Hill without first issuing the new POM that Clark Hill had been retained to prepare, but had not prepared at Chittick's instruction;

b. Chittick had breached fiduciary duties he owed DenSco through grossly negligent lending practices;

c. the scope of DenSco's financial exposure was greater than the 52 properties identified in the demand letter, since it included the "other lenders" with whom Menaged had reached an informal agreement in November 2013;

d. Investors who had purchased promissory notes since Clark Hill's September 2013 retention had not been told of the *Freo* lawsuit; DenSco's grossly deficient lending practices; DenSco's concentration of loans made to one borrower, Menaged; DenSco's November 2013 discovery of the fraud allegedly perpetrated by Menaged's "cousin"; and Chittick's plan to help Menaged by "injecting capital" to pay off the loans of other lenders on properties that Menaged's companies had allegedly purchased with DenSco's funds, allowing interest on DenSco's loans to accrue, and lending Menaged $1 million at 3% interest.

e. Chittick was unwilling to cause DenSco to accept the losses his gross negligence had caused by signing the subordination agreements attached to the demand letter, "because that goes against everything that [he] tell[s]

[DenSco's] investors," or to make any disclosure to DenSco's investors while he and Menaged pursued their plan.

228. Beauchamp also knew from his January 6 review of the demand letter and the hours he had devoted on January 7 and 8 to analyzing Chittick's email and other information he had received from Chittick, that Menaged's "cousin" story was implausible and that by accepting the story without investigation and planning to continue DenSco's lending relationship with Menaged, Chittick was breaching his fiduciary duties to DenSco.

229. In addition to the information provided in the subordination agreements and the list of the other 52 properties identified in the demand letter, Beauchamp should have also reviewed the information attached to Chittick's January 6, 2014 email regarding a loan for which Chittick claimed DenSco was in first position.

230. If Beauchamp had used the information in the settlement statement attached to Chittick's email to investigate Chittick's claim that DenSco was in first position with respect to the "Pratt" property, he could have used the Recorded Document Search tool on the website maintained by Maricopa County Recorder's Office.

231. A few brief searches would have confirmed Chittick's claim that DenSco was the first to record: DenSco's Mortgage was recorded on September 18, 2013 as instrument number 2013-0837513, while Geared Equity's deed of trust was recorded on September 19, 2013 as instrument number 2013-0842640.

232. But those two documents would also have shown that Menaged signed each document before a notary on September 17, 2013, making clear that Menaged, not his "cousin," had secured both loans.

233. Moreover, because the demand letter claimed that Geared Equity had delivered funds to the Trustee, and Chittick had admitted he had not, the question remained as to where DenSco's funds had gone and whether they could be recovered.

2. Clark Hill Failed to Properly Advise DenSco.

a. After Receiving the Demand Letter and Chittick's January 6 Email, Beauchamp Should Have Insisted on Meeting with Chittick Alone So That He Could Advise Chittick of the Actions He Was Required to Take to Protect DenSco From Further Harm, But Beauchamp Failed to Do So.

234. Beauchamp, as DenSco's attorney, should have recognized that he had an obligation to meet privately with Chittick, without Menaged present, to confirm relevant facts, and advise Chittick, as DenSco's President, of the actions DenSco needed to take and the consequences to DenSco if it failed to do so.

235. While the specific actions Beauchamp should have taken on January 8, 2014 is the subject of expert testimony, which will be disclosed in accordance with the scheduling order that has been entered in this case, the Receiver anticipates that those actions would have included the following:

a. Telling Chittick he should not bring Menaged to their scheduled January 9, 2014 meeting;

b. Telling Chittick that DenSco's sale of promissory notes since July 1, 2013 to investors exposed DenSco and Chittick to civil and criminal liability;

c. Telling Chittick that DenSco should not have sold any notes without first issuing a new POM and should not use the proceeds of sales made since July 1, 2013 until the investors who bought those notes had been given a new POM and afforded an opportunity to rescind those transactions;

d. Telling Chittick that DenSco could not sell any new promissory notes until Clark Hill was able to conduct an adequate investigation of DenSco's lending practices and other material information and a new POM had been issued;

e. Telling Chittick that DenSco should immediately cease doing business with Menaged based on the implausibility of the "cousin" story and the readily available public records discussed above;

f. Telling Chittick that, at a minimum, DenSco should not have any further business dealings with Menaged until it had investigated the true facts of the alleged fraud by Menaged's "cousin";

g. Telling Chittick that after discovering the true facts about Menaged's dealings with DenSco (whether through a review of public records or some other investigation), DenSco should rescind all lending agreements it had made with Menaged since November 2013 on the grounds of fraud in the inducement, and seek to enforce its remedies for all other loans that Menaged had obtained through fraud; and

h. Telling Chittick that DenSco had to assess the impact of the fraud on DenSco's financial position, and if that assessment resulted in a finding that DenSco was insolvent, DenSco had to consider duties owed to its investors and other creditors in making all business decisions.[3]

236. This advice should have been documented in writing.

237. If Chittick declined to follow the advice, Beauchamp should have threatened to withdraw from representing DenSco, which may have caused Chittick to relent and follow the advice.

238. Beauchamp did not tell Chittick he should not bring Menaged to the planned January 9, 2014 meeting and did not give the advice described above.

239. The Receiver intends to offer evidence at trial establishing that if Beauchamp had taken these actions, Chittick would have caused DenSco to follow that advice.

240. Evidence of Chittick's long professional relationship with Beauchamp and numerous instances of Chittick following Beauchamp's legal advice establish that if Beauchamp had properly advised DenSco during the first week of January 2014,

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[3] DenSco was indisputably insolvent in January 2014, as Chittick's statements to Beauchamp at the time made clear and as the Receiver was able to determine after reviewing DenSco's QuickBooks records.

Chittick would have caused DenSco to: *(i)* stop selling promissory notes; *(ii)* terminate its relationship with Menaged and his companies; *(iii)* pursue its remedies against Menaged and his companies; and *(iv)* explore whether DenSco could survive as a going concern or would have to liquidate. Such evidence includes:

a. Clark Hill and Beauchamp's admission in their initial disclosure statement (at 4), that "[o]ver the years, Mr. Chittick showed himself to be a trustworthy and savvy businessman, and a good client. . . . Despite complaining about the cost of legal services, Mr. Chittick appeared to follow Mr. Beauchamp's advice and provided information when asked for it."

b. Moreover, only six months earlier, DenSco had immediately followed Bryan Cave's June 2013 advice to modify its website, and Bryan Cave's files reflect that Chittick was prepared to cause DenSco to refund all investor loans if that was necessary to correct the "general solicitation" problem Bryan Cave had identified.

3. During the January 9, 2014 Meeting with Chittick and Menaged, Beauchamp Learned That DenSco Faced an Even Larger Financial Exposure as a Result of Chittick's Mismanagement Than the Exposure Presented by the Demand Letter, And Chittick Wanted to Try to Cover Up His Mismanagement By Pursuing a "Work Out" Plan With Menaged.

241. Clark Hill's billing records reflect that Beauchamp billed 4.3 hours on January 9, 2014 to "[p]repare for and meeting with D. Chittick and S. Menages [sic]; review and work on notes from meeting and outline follow-up; review and respond to several emails; review documents and information."

242. Beauchamp's notes from the January 9, 2014 meeting reflect that Chittick and Menaged confirmed that DenSco faced exposure from both the Lienholders identified in the January 6, 2014 demand letter and other lenders, including Active Funding Group.

243. According to Beauchamp's notes, the number of loans made by DenSco that were not in first position and were either unsecured or under-secured was between 100 and 125. Based on that information and the 2011 POM's average loan amount of $116,000, Beauchamp knew or should have known that DenSco's loans to Menaged represented a potential loss of between $11.6 and $14.5 million, or between 25% and 30% of the $47 million that Beauchamp understood DenSco had raised as of June 2013.

244. Beauchamp's notes from the January 9, 2014 meeting also reflect that Chittick did not know what had happened to as much as $14.5 million that DenSco had loaned to Menaged, and that Chittick was not taking any meaningful steps to investigate the loss and seek to recover those funds. The notes state: "What happened to the money? -- Will pursue something or his cousin → but trying to determine where the money has gone."

245. Beauchamp's notes from the January 9, 2014 meeting also reflect that, although the money DenSco previously loaned Menaged was missing and Chittick had taken no steps to investigate the circumstances under which the loan losses had occurred and their impact on DenSco, Chittick and Menaged had agreed to pursue a "work out" of the loan losses caused by Chittick's gross mismanagement of DenSco's lending practices.

4. After the January 9, 2014 Meeting, Clark Hill Helped Chittick Breach Fiduciary Duties He Owed to DenSco and Negligently Advised DenSco About the Practices It Should Follow in Continuing to Loan Money to Menaged.

246. After the January 9, 2014 meeting, Clark Hill helped Chittick breach fiduciary duties he owed DenSco by negotiating a "Forbearance Agreement" that was not in DenSco's interest and was instead intended to cover up Chittick's mismanagement of DenSco's lending practices and protect Chittick from potential claims by DenSco's investors.

247. Clark Hill also helped Chittick breach fiduciary duties by advising Chittick that DenSco could continue to raise money from investors while Chittick was

implementing his "work out" plan, and that DenSco could indefinitely delay issuing a new POM until Chittick felt comfortable doing so.

248. These actions served Chittick's interests, who hoped to "fix" the problem created by his mismanagement and delay telling his investors about the problem until he had minimized the financial harm and delay or avoid making disclosures to DenSco's investors about the Forbearance Agreement and how it came to be put in place.

249. Clark Hill and Beauchamp, on the other hand, having failed to properly advise Chittick in September 2013 that it could not sell promissory notes without first issuing a new POM, and having agreed with Chittick to indefinitely delay work on the POM, similarly saw the Forbearance Agreement as an opportunity to cover up their negligence and potentially mitigage their exposure.

250. At the same time that it was drafting the Forbearance Agreement, which obligated DenSco to continue loaning money to Menaged, Clark Hill failed to properly advise DenSco about how the loans should be made.

5. Clark Hill Aided and Abetted Chittick's Breach of Fiduciary Duties Owed DenSco by Negotiating and Documenting a Forbearance Agreement Between January and April 2014 That Was Not in DenSco's Interests and Was Intended by Clark Hill to Cover Up Chittick's Mismanagement of DenSco's Lending Practices and Protect Chittick From Claims by DenSco's Investors.

251. On January 10, 2014, Beauchamp opened a "new matter" for DenSco in Clark Hill's accounting and filing systems that was called "work-out of lien issue" to enable and implement the "work out" plan Chittick and Menaged had developed.[4]

252. Over the next three months, Beauchamp helped negotiate and finalize a Forbearance Agreement that was not in DenSco's interests and was, as Beauchamp said

[4] A few days later, on January 14, 2014, Beauchamp opened a "new matter" for DenSco in Clark Hill's accounting and file systems that was called "business matters."

multiple times in writing, intended to protect Chittick from potential claims by his investors by making it appear that the loan losses DenSco faced were caused by Menaged, rather than by Chittick's gross mismanagement of DenSco's lending practices, and that Chittick had taken appropriate steps to protect DenSco's interests.

a. In January 2014, Beauchamp Negotiated the Terms of a Nondisclosure Agreement and Term Sheet.

253. During the week of January 12, 2014, Beauchamp prepared a nondisclosure agreement and a term sheet. Beauchamp negotiated with Menaged's attorney, Jeff Goulder, over the term sheet.

254. Beauchamp also communicated with Bryan Cave attorney Bob Miller, who withdrew from representing his clients on January 16, 2014 because of a conflict issue raised by Beauchamp and the scope of the consent DenSco would give Bryan Cave.

255. Chittick (for DenSco) and Menaged signed the nondisclosure agreement and term sheet on Friday, January 17, 2014. The term sheet contemplated that DenSco would advance additional funds to Menaged, some of which would be used to pay off (by February 28, 2014) the loans held by the lenders represented by Bryan Cave. The term sheet also outlined the elements of a Forbearance Agreement and a process to resolve the claims of the other competing lenders.

b. During February 2014, Beauchamp Negotiated the Terms of the Forbearance Agreement With Menaged's Counsel, Repeatedly Stating That the Agreement Was Needed to Protect Chittick's, Rather Than DenSco's Interests.

256. During the first week of February, Beauchamp began negotiating with Goulder over the terms of a Forbearance Agreement.

257. It is evident from Beauchamp's communications with Chittick and Goulder during February 2014 that Clark Hill was looking out for Chittick's interests, rather than the interests of DenSco and its investors.

258. One example of Clark Hill's misplaced loyalty to Chittick is a February 4, 2014 email that Beauchamp sent to Chittick, which said:

a. "Before we all get into a room, you and I need to make sure we have a clear understanding of what you can do and what you cannot do without going to all of your investors for approval. We have a deal that works for you and your investors and is fair to [Menaged]. Now [Goulder] is trying to better the deal for [Menaged]. But you already have been more than generous trying to help [Menaged] out of [Menaged's] problem. Again, ***this goes back to [Goulder] not acknowledging that this is [Menaged's] problem and instead insisting that this is your problem because you did not make sure that [Menaged] handled the loans properly and that you did not take the necessary actions so that DenSco had a first lien on each property. . . . [Goulder] is trying to have you think that you have significant responsibility for creating this problem as opposed to this being created by [Menaged's] cousin working for [Menaged]***. . . . [Goulder] is trying to make you feel that you are guilty so you have to assume a significant responsibility in the agreement to share [Menaged's] problem, but nobody stole the money from you. You can help and have helped [Menaged], but you cannot OBLIGATE DenSco to further help [Menaged], because that would breach your fiduciary duty to your investors." (Emphasis added.)

259. And in an email Beauchamp sent to Goulder on Friday, February 7, 2014 Beauchamp wrote: "***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 [Menaged] 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 [Menaged] from having this agreement used as evidence of fraud against him in litigation, ***the agreement needs to*** comply with Denny's fiduciary obligation to his investors as well as ***not become***

evidence to be used against Denny for securities fraud. . . . 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 [Menaged] admit to facts that could cause trouble to him. . . .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 the Borrower is not admitting that it was required to provide first lien position in connection with the loans." (Emphasis added.)

260. In an email exchange on Sunday, February 9, 2014 Beauchamp told Chittick "[p]lease 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."

261. Chittick's response was that he "trusts that we are in balance and I have even more confidence that [Menaged] and I can solve this problem without issue and we never have to use the document that we've worked so long on getting completed."

262. Beauchamp responded: "Your point is understood. If possible, please recognize and understand that ***you will 'use' the document even if you and [Menaged] 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***." (Emphasis added.)

263. In his notes from a February 11, 2014 call with Chittick, which touched on the status of Chittick's and Menaged's plan to pay off loans on the double-escrowed properties, Beauchamp wrote "'Material Disclosure' – exceeds 10% of the overall portfolio." But in his discussions with Chittick about requests from Goulder for further concessions, including an agreement not to pursue civil claims for fraud, Beauchamp's focus was on protecting Chittick's interests, including protecting him from a potential investor claim.

264. In a February 14, 2014 email to Chittick, Beauchamp wrote: "[Goulder] 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. . . . ***[Menaged] is the one responsible for this and not you.*** (Emphasis added.) He failed to put out the proper protection systems in place so his cousin could not do what his cousin did. . . . ***[Menaged'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.*** (Emphasis added.) 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 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 [Menaged] 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.***. . . . (Emphasis added.) [Y]our duty and obligation is not to be fair to [Menaged], but to completely protect the rights of your investors. I am sorry if [Menaged] is hurt through this, but [Menaged's] hurt will give [Menaged] the necessary incentive to go after his cousin. Your job is to protect the money that your investors have loaned to DenSco."

265. Beauchamp advised Chittick not to make any further concessions. Beauchamp then sought input from bankruptcy lawyers within Clark Hill about the risks DenSco faced if Chittick were to agree to the concessions Goulder sought with respect to a potential civil fraud claim.

266. Chittick ultimately followed Beauchamp's advice, and the concessions sought by Goulder were not included in the final Forbearance Agreement.

267. On February 20, 2014, Beauchamp met with Chittick, Menaged and Goulder to discuss the Forbearance Agreement. As Chittick described the meeting in the DenSco journal, Beauchamp and Goulder "were no better in person then they were

in email. David lost his temper more than once. We went back and forth for 3 hours. We broke up and came together, finally we are down to one point about the release. The lawyers are trying to word it to make each other happy."

268. It appears from Chittick's February 20, 2014 entry in the 2014 Corporate Journal that this meeting was the first time Beauchamp learned of the full extent of DenSco's exposure to Menaged. Chittick wrote: "I told David the dollars today, he about shit a brick. I explained to him how I got there and how far we have come and how much better we are today then in November. Though I'm not sure he understands that. My balance sheet isn't looking much better, but it will start to swing in the right direction in the next 30 days. ***I'm more concerned about telling my investors and their reaction to the problem. I have to tell them and hope they stick with me. If I get a run on the bank I'm in deep shit. I won't be able to fund new deals, I won't be able to payoff investors and won't be able to support [Menaged]. The whole thing crators***." (Emphasis added.)

269. Beauchamp's notes from that day contain a summary of DenSco's exposure to Menaged. They state: "Approx. $31 MM outstanding to [Menaged's] entities – total fund up to $62-63 MM. Problem loans down to about $17 MM for 122 loans."

270. Chittick's February 21, 2014 entry in the 2014 Corporate Journal has a consistent summary of the advice he received from Beauchamp: "I talked to Dave, he found out what we already suspected; there is no way we can give what [Menaged] wants. I'm not sure where this will lead us. We talked about telling my investors; we are going to put that off as long as possible so that we can improve the situation as much as possible. We've got another 15 more that are closing next few weeks. We could be close to under a 100 problem loans within a month. I just have to keep telling myself I'm doing the right thing to fix it, no matter how much anxiety I have over this issue."

271. During the last week of February 2014, discussions with Goulder on the Forbearance Agreement ended after Goulder sent Beauchamp a revised draft on February 25, 2014.

272. Chittick sent Beauchamp an email that day describing his ongoing discussions with Menaged about taking a different approach to the double encumbrance problem by having DenSco advance additional monies to Menaged so that Menaged could sell homes more quickly: "[H]e's throwing out all sorts of ideas in how this can be done. [I] would be willing to release the UCC if he was able to secure the funds and use them to pay some of these loans. [W]e'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."*** (Emphasis added.)

273. Beauchamp responded by saying "***[g]ood ideas and probably something we need to work on***" in light of the breakdown of discussions on the Forbearance Agreement. (Emphasis added.)

274. Chittick sent Beauchamp an email the following day, February 26, 2014 describing his continuing discussions with Menaged. He wrote: "[W]hat if [Menaged] just starts selling everything . . . . [I] take losses[.] [A]long with the several million that [Menaged's] going to bring in from outside sources, we wipe the whole thing out in, name a time frame, 90 days. [T]o secure the loss, [Menaged] signs a promissory note with terms of repayment. [W]hat happens? [I] take a huge hit to my books, but [I] get the money back in my hands. [I]'m no longer in violation of anything with my investors. [I]'m in possession of money that now [I] can put to work with new loans that are actually paying me interest versus right now that [I]'m having no interest coming in. [O]r I can return the money to investors if I can't put it to work. [F]rom a P/L standpoint it looks horrible, but at least [I] have the majority of the money back except maybe 2-4 million. [Menaged] agrees to pay me interest and principle [sic] back

every month for whatever I write off[,] which fills in that hole. [I] put the money I get back to work and make money on it, that fills the hole. ***[I] [would] rather take the loss short term now, and get working on trying to make the money work th[a]n drag this thing out over a year or more. . . . [I] don't have anything in my docs that say I have to be profitable. [I] see this is a negative year obviously, but [I]'ll be profitable next year; the problem is gone***[.] [Menaged] will be paying me back interest and principle [sic] for the loss that I took. [N]ow I know there are 100 legal things here, ***but now I'm thinking this is the best way to get the problem solved from a fiduciary standpoint.*** . . . [I] know this may sound crazy, but [I] can't come up with anything else that will bring an end to this situation quickly. [T]ime is crucial. [L]et me know your thoughts." (Emphasis added.)

275. Beauchamp's email response was: "***Good ideas.*** Can we talk later today to clarify a few things?" (Emphasis added.) Beauchamp also told Clark Hill attorney Bill Price, who emailed him to say that the release provision in Goulder's latest draft of the Forbearance Agreement was unacceptable, that "[t]here is another possibility to resolve this," on which Beauchamp would be focusing his attention.

276. Chittick's DenSco entry in the 2014 Corporate Journal for February 26, 2014 contains a consistent summary of his discussions with Menaged and Beauchamp: "We've decided it's better to sell these properties as quickly as possible, take the losses and move on. [Menaged] will sign a promissory note, it frees up from paying interest, I take a big hit, . . . and we move on. ***It will take me 2 years to get back to profitability I'm guessing. This may allow me not to do what David wants me to do, I don't know. I never got to talk to him. But what we are doing isn't going to work fast enough and we'll have a big hill to climb in the end.*** (Emphasis added.) I'm just so sick over this I can't function."

277. Beauchamp's notes reflect that he discussed the proposed new plan with Chittick the following day, February 27, 2014. They state, in part: "Denny explained procedure and Denny is taking all of the shortfall. [Menaged] wants this resolved.

Denny wants this resolved because Denny is losing money to make payments to his investors if DenSco is not getting paid interest from [Menaged]. Denny willing to take loss this year -- so DenSco can return cash to investors and reduce interest obligation. ***How to write this up for investors -- discussed. Do we still need Forbearance Agmt. - yes but will be less problematic. Will need Forbearance Agmt. to explain procedures and protect Denny for future revisions***. (Emphasis addd.) Will need multiple advance not (unsecured) so DenSco can advance cash on house w/ double loans to be sold."

278. Chittick's entry in the 2014 Corporate Journal for that day is consistent with Beauchamp's notes. It states, in part: "I talked to [Menaged] again, he agreed to everything this morning on how to work this out. I talked to David, he thinks its fine. So we are done. . . . [N]ow we just need to get this signed and start working towards selling these houses."

c. During March 2014, Beauchamp Continued to Negotiate the Terms of the Forbearance Agreement But Did So With Menaged, Communicating With Him Through Chittick.

279. Beauchamp had a telephone conversation with Chittick on March 3, 2014. Chittick's entry in the 2014 Corporate Journal that day says, in part: "David called me telling me of ad lib info to scare me about dealing with [Menaged]. I can't control what others are saying in the lawyer community. I have to get this done so that I have something in writing and do the best deal that I can do."

280. Chittick sent Beauchamp an email on March 4, 2014 in apparent response to that conversation. It stated, in part: "About what you said, I have no idea of the timing of that person you [mentioned] as to when he spoke to [Goulder] about our situation. I don't doubt perhaps that he was positioning himself in some way; seems logical for him to think that way. However, ***now that [Menaged] has agreed to sign the terms sheet that we originally agreed to, allowing you to write it, he says he's not going to have [Goulder] review because [Goulder] already told him not to sign anything***. Plus he's signing the promissory note which also confirms the situation . . .

in not so many words. But the fraud occurred and he's taking responsibility for it. . . . ***You probably have the only chance in your career to write an agreement without conflicting counsel.*** You can write it to our liking and in our best interests. ***We CYA as broad as the Grand Canyon***. I think that is pretty advantageous." (Emphasis added.)

281. Beauchamp's response was: "***Your thoughts make sense***, but we still need an agreement that works." (Emphasis added.)

282. Beauchamp sent Chittick a draft of the Forbearance Agreement on March 10, 2014.

283. Chittick gave him comments that day, one of which reflected Chittick's and Menaged's request to modify the draft's confidentiality provision. As Chittick described it in an email to Beauchamp: "***Only time I can disclose info is if I'm legally required by investors. He wants me to not say a word unless I'm legally required to***, because the reputation with his investors and buyers, clients etc. could be harmed." (Emphasis added.)

284. In his email response, Beauchamp wrote: "The confidentiality change is a problem, because who makes the decision if the disclosure is required? ***I had language that you could disclose if such disclosure is reasonably needed to be disclosed to your investors or if a governmental agency requires such disclosure (after you give [Menaged] notice and an opportunity to get the agency to change its mind).*** Those are standard confidentiality exceptions. ***I will look at them again to see if there is anything we can do to make it tighter***." (Emphasis added.)

285. Beauchamp's notes reflect that he had a telephone conference with both Chittick and Menaged on March 11, 2014 to discuss the release and confidentiality provisions of the Forbearance Agreement, as well as the terms of a $ 1 million "workout loan."

286. Beauchamp's notes reflect that he had a telephone conference with both Chittick and Menaged on March 12, 2014 to discuss the release and confidentiality provisions of the Forbearance Agreement.

287. On March 13, 2014, Beauchamp conferred with Chittick about the security for the loans DenSco would be advancing to Menaged. He also revised the confidentiality section of the Forbearance Agreement, sending the section to Chittick in an email which stated, in part: "***I have done a complete re-write of the Confidentiality section. . . . In order to comply with the specific securities disclosure requirements, I left ____ (blank) the amount of time for [Menaged] 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." (Emphasis added.)

288. Between March 14 and March 20, 2014, Beauchamp communicated with Chittick about revisions to the Forbearance Agreement, relying on Chittick to convey drafts to Menaged and communicating with Menaged through Chittick.

289. One of the topics Beauchamp discussed with Chittick was his plans to loan funds to Menaged and the impact of those loans, including loans up to 120% of value. Beauchamp stated that he ***"completely agree[s] that [the proposed lending plan] makes a lot of sense, but I am concerned about the disclosure to your investors***." (Emphasis added.)

290. Chittick's entry in the 2014 Corporate Journal for March 20, 2014 stated, in part: "[Menaged] finally agreed to [the] agreement. That's done. I have to do some numbers to fill in the blanks, but otherwise it's ready to be signed. ***I have no idea if it will ever be used, but David assured me I'm in a good position***." (Emphasis added.)

d. The Forbearance Agreement Was Signed in April 2014.

291. The Forbearance Agreement was signed by Chittick (for DenSco) and Menaged (for himself and his entities) on April 16, 2014.

292. Under the Forbearance Agreement, Menaged agreed to pay off the loans of DenSco and other lenders by, inter alia, *(i)* liquidating various assets, *(ii)* renting or

selling real estate assets, *(iii)* attempting to recover the missing funds that his cousin allegedly stole, and *(iv)* obtaining $4.2 million in outside financing.

293. In turn, ***DenSco agreed to, inter alia, (i) increase its loans to Menaged on certain properties up to 120% of the loan-to-value ratio, (ii) loan Menaged up to $5 million more, at 18% interest, (iii) loan Menaged up to $1 million more, at 3% interest, and (iv) defer the collection of interest on loans that Menaged had already defaulted on.***

294. The Forbearance Agreement included a schedule of the loans DenSco had made to Menaged, members of his family, Easy Investments, and Arizona Home Foreclosures, including loans DenSco made between December 2013 and April 15, 2014. ***Those loans totaled $37,456,620.47, well over half of the aggregate amounts DenSco had raised from investors.***

295. The confidentiality provision in the Forbearance Agreement permitted DenSco to disclose information "as may be necessary for [DenSco] to disclose to [DenSco's] current or future investors" subject to the following limitations:

> [DenSco] 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 [DenSco] 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 [DenSco] has made and the additional advances that are intended to be made by [DenSco] to Borrower pursuant to this Agreement in connection with increases in the loan amount of certain specific Loans (up to 120% 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 [DenSco's] business plan that [DenSco] has previously disclosed to its investors in [DenSco's] private offering documents and which [DenSco] committed to follow, including the overall LTV loan ratios for all of [DenSco's] outstanding loans to its borrowers in the aggregate and the concentration of all of [DenSco's] outstanding loans among all of its borrowers. Further, [DenSco] will use its good faith efforts not to include the names of Borrower, Guarantor, or New Guarantor in [DenSco's] disclosure material. [DenSco] will also provide Borrower with a copy of the applicable disclosure prior to dissemination to [DenSco's] investors and allow Borrower to have 48 hours to review and comment upon such disclosure.

6. Clark Hill Advised Chittick That DenSco Could Continue Selling Promissory Notes Without First Issuing a New POM, and that DenSco Could Indefinitely Delay Issuing a New POM.

296. Clark Hill and Beauchamp claim in their initial disclosure statement (at 10-11) that Beauchamp advised Chittick "during his January 9, 2014 meeting with Mr. Chittick" and repeatedly thereafter that: (a) DenSco was not permitted to take new money without full disclosure to the investor lending the money; (b) DenSco was not permitted to roll over existing investments without full disclosure to the investor rolling over the money; and (c) DenSco needed to update its POM and make full disclosure to all its investors.

297. A jury will be asked to find that this claim is an after-the-fact untruth.

298. There are no documents, such as notes, emails or letters, which reflect that Beauchamp *ever* gave that advice.

299. The documents in the file instead show that Beauchamp told Chittick that DenSco could sell promissory notes, and that DenSco could put off preparing a new POM while Chittick pursued his "work out" plan.

300. Moreover, Beauchamp admitted in his deposition that he knew Chittick had caused DenSco to sell promissory notes but claims that he understood Chittick did so only after making disclosures to each investor who purchased a promissory note.

301. Clark Hill and Beauchamp make a similar claim in their initial disclosure statement (at 11) 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 the proposed workout."

a. In early January 2014, Clark Hill Advised DenSco It Could Sell Promissory Notes Without First Issuing a New POM

302. Chittick's entry for January 9, 2014 in a corporate journal he maintained during 2014 (the "2014 Corporate Journal") says nothing about having been instructed

by Beauchamp that DenSco could not sell promissory notes. The entry states, in part: "Scott and I met with David. He never read my email. We spent two hours. . . . He's going to contact the lawyer tomorrow and let us know."

303. Beauchamp's handwritten notes from a call with Chittick on Friday, January 10, 2014 state, in part, "Need to get back up plan in place. ***Denny does not want to talk to his investors until he is ready*** – will not take long." (Emphasis added.)

304. Chittick's entry for that date in the 2014 Corporate Journal states, in part, "at 5pm Dave called, said they would give us time to clean it up. I talked to Scott; he is going to try to bring in money. ***I can raise money according to Dave.***" (Emphasis added.)

305. On Sunday, January 12, 2014, Chittick sent Beauchamp an email which stated, in part, "***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.***" (Emphasis added.) He went on to say that between new money, current cash on hand, and pending real estate closings, he would have ***between $5 and $10 million*** in the next ten days. His email summarized the outline of the plan he and Menaged had discussed the previous Friday, which included, for the group of lenders represented by Bryan Cave: *(i)* identifying all properties in which another party claimed an interest; *(ii)* providing that information to an escrow agent; *(iii)* buying out the other parties as cash was put into escrow; and *(iv)* memorializing the arrangement through a term sheet and a written contract. "***[I]f 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." (Emphasis added.) As for the other lenders, Chittick stated that the plan was to pay them off as Menaged was able to raise additional capital. Chittick concluded the email by stating, "***that's my plan, shoot holes in it.***" (Emphasis added.)

306. Beauchamp responded in an email sent later that day which stated, in part, "***[y]ou 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." (Emphasis added.)

307. The "few thoughts" that Beauchamp conveyed the next day were questions about the sources from whom Menaged would raise money. Beauchamp did not tell Chittick that DenSco could not raise new money by selling promissory notes without first issuing a new POM.

b. During February, March and April 2014, While the Forbearance Agreement Was Negotiated, Clark Hill Advised Chittick That DenSco Could Delay Issuing a New POM.

308. After telling Chittick that DenSco could continue selling promissory notes without first issuing a new POM, Beauchamp would periodically tell Chittick that a new POM had to be issued to reveal information about DenSco's operations, but let Chittick believe the issuance of the POM could be delayed.

309. In a February 4, 2014 email that Beauchamp sent to Chittick, Beauchamp wrote that the Forbearance Agreement would need to be described in a document "that you HAVE to provide to your investors."

310. Chittick's February 7, 2014 entry in the 2014 Corporate Journal states, in part, "I was on the phone with David and [Menaged] off and on trying to find middle ground in this crap to make this agreement final. ***Now [D]avid is telling me I have to tell my investors***."

311. Beauchamp's notes reflect that he discussed with Chittick on February 21, 2014 DenSco's upcoming annual meeting, which was scheduled for March 8. He wrote: "***cannot be ready to tell everything***." (Emphasis added.)

312. Beauchamp's notes went on to reflect his thoughts about what might eventually be disclosed to investors. He wrote: "What to put into notice to the investors. [E]xplain concentration to Scott to help Scott package homes to sell to a Hedge Fund in $5M groups. [T]he problem was discovered but to resolve the loans with

double leverage came up with a plan, but that required DenSco to make higher leveraged loans. DenSco also made advances on new homes purchased."

313. Beauchamp's notes also show that he knew the workout plan was increasing the loan-to-value ratios on many of DenSco's loans far above what DenSco had disclosed to investors in any previous POM. For example, he wrote: "30 loans are now at 95% LTV."

314. The entry Chittick made in the 2014 Corporate Journal for March 11, 2014 states, in part: "***David changed and said now I have to tell my investors.*** (Emphasis added.) [Menaged] and I are going to try to fix this mess in 30 days and that way it will be a minor issue."

315. In a March 13, 2014 email to Chittick regarding the inclusion in the Forbearance Agreement of a confidentiality provision that Menaged had sought, Beauchamp wrote: With respect to timing, we are already **very late** in providing information to your **investors about this problem and the resulting material changes to your business plan. We cannot give [Menaged] and his attorney any time to cause further delay in getting this Forbearance Agreement finished and the necessary disclosure prepared and circulated."** (Emphasis in original.)

c. In May 2014, Clark Hill Made a Half-Hearted Effort to Prepare a New POM and Then, at Chittick's Request, Stopped Working on the New POM and Advised Chittick That DenSco Could Continue to Put Off Issuing a New POM While Chittick Pursued His "Work Out" Plan.

316. Chittick's entry in the 2014 Corporate Journal for April 16, 2014 reflected the signing of the Forbearance Agreement and concludes: "I'll send it up to David and then he and I can start on the memorandum."

317. Beauchamp's notes show that he had a call with Chittick on April 24, 2014. Those notes reflect that Beauchamp knew that DenSco's total loans to Menaged were approximately $36 million in principal, with a $5 million note (of which

approximately $1.78 million was principal), and a $1 million note (of which approximately $915,000 was principal).

318. Under the heading "POM update" he noted that 186 loans were double-encumbered when the workout started, which was down to 94 loans, representing $12.3 million of principal, as of that date, which was down from a previous balance of approximately $25 million.

319. That same day, Chittick sent Beauchamp by email another copy of the 2011 private offering memorandum.

320. It appears from the Clark Hill file that Beauchamp gave a printed copy of the memorandum to Schenck with a handwritten note asking him to mark up the memorandum and add "updates/forbearance, etc."

321. Beauchamp's handwritten notes and documents in the file reflect that some research was done on May 13, 2014 on "Dodd Frank and regulation."

322. On May 14, 2014, Schenck sent Beauchamp by email a redline of a draft private offering memorandum and a separate document with comments, some of which were for Beauchamp's attention. Schenck's email concluded by asking Beauchamp to "let me know what changes you prefer before this draft is sent to Denny." His time entry describes the document as a "first draft."

323. The document with comments contained, in the "Prior Performance" section, a discussion of the terms of the Forbearance Agreement, with limited information about the circumstances that gave rise to it and a narrative that accepted, as accurate and reliable, Menaged's "cousin" story: "According to the Foreclosure Debtors, an agent of the Foreclosure Debtors had secured the Outside Loans without the Foreclosure Debtors' knowledge." The draft said nothing about Chittick's gross negligence in managing DenSco's lending practices by giving funds directly to Menaged, rather than to a Trustee.

324. Clark Hill's time records reflect that Beauchamp billed 30 minutes of time to "review revisions to POM and work on same."

325. But there is nothing in the Clark Hill file to reflect that Beauchamp actually made any revisions to this first draft.

326. Neither the Clark Hill file nor Clark Hill's billing statement reflect that Beauchamp ever sent the draft POM to Chittick or discussed it with him.

327. Clark Hill's files show that the firm simply stopped work on a new POM in mid-May 2014.

328. Entries by Chittick in the 2014 Corporate Journal shortly thereafter reflect that Chittick had decided not to issue a new POM at that time, and to continue selling promissory notes while he pursued his "work out" plan in the hope of minimizing DenSco's losses before making a disclosure to investors. Clark Hill decided to abide by Chittick's instruction, just as the firm had agreed in September 2013 to prepare a new POM and then followed Chittick's instruction not to work on the new POM until Chittick was ready to issue it.

a. The July 2, 2014 entry states, in part: "We are making progress, just too damn slow, ***but I'm sure much quicker than David expected us to do***." (Emphasis added.)

b. The July 25, 2014 entry states, in part: "My time is running out on updating my private placement memorandum and notifying my investors."

c. The July 31, 2014 states, in part: "It's all going in the right direction, just not sure if it's going fast enough. ***As long as David doesn't bug me, I feel like we are doing the right thing***." (Emphasis added.)

329. Clark Hill's blessing of Chittick's plan to continue pursuing a work out plan without telling DenSco's investors is reflected in Beuchamp's dealings with Chittick the following March.

330. On March 13, 2015, Beauchamp sent Chittick an email which stated, in part: "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 would also like to listen to you about your concerns, and frustration 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.*** (Emphasis added.) ***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 attorney's fees.*** (Emphasis added.) 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 how the other lenders (and [Menaged] at times) seemed to go against you as you were trying to get things resolved last year for [Menaged]. 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 would still like to consider you a friend. You stood up for [Menaged] 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."

331. Chittick responded "[s]ure, give me some options on when to meet."

332. Chittick forwarded Beauchamp's email to Menaged, who wrote, "[s]chedule coffee in 18 months when our balance is close to nothing."

333. Chittick responded: "***I figure it's a miracle he left me alone this long!***" (Emphasis added.)

334. In his entry that day in the corporate journal Chittick maintained for 2015 (the "2015 Corporate Journal"), Chittick wrote: "***I got an email from Dave my attorney wanting to meet. He gave me a year to straighten stuff out. We'll see what pressure I'm under to report now.***" (Emphasis added.)

335. Chittick had lunch with Beauchamp on March 24, 2015.

336. Chittick's entry in the 2015 Corporate Journal for that date states: "I had lunch with Dave Beauchamp. I was nervous he was going to put a lot of pressure on

me. However, ***he was thrilled to know where we were at and I told him by April 15th, we'll be down to 16 properties with seconds on them, and by the end of June we hope to have all the retail houses sold by then and just doing wholesale. He said he would give me 90 days.*** (Emphasis added.) I just hope we can sell them all by then and darn near be done with it. ***I'm going to slow down the whole memorandum process too. Give us as much time as possible to get things in better order.***" (Emphasis added.)

337. Chittick's entry in the 2015 Corporate Journal for June 18, 2015 states, in part: "[Menaged] tried to enlarge the wholesale number saying, well I'm paying down the workout, I can use that for the wholesale. I'm not letting him. That number needs to start dropping! ***I have to get his number falling, or it's going to be hell with Dave.***" (Emphasis added.)

d. With Clark Hill's Assistance, Chittick Caused DenSco to Sell Approximately $5 Million of Promissory Notes Between January and May 2014 Without First Issuing a New POM.

338. During the months of January through May 2014, DenSco sold $5,000,008.00 of new promissory notes to the following investors, which were all two-year notes unless otherwise indicated.

Investor	Amount	Date
Brian & Carla Wenig	$15,000	1/3/14
Dale Hickman	$150,000	1/13/14
Carol & Mike Wellman	$30,000	1/14/14
Carol Wellman	$10,000	1/14/14
Jolene Page	$150,000	1/14/14
Marvin & Pat Miller	$200,000	1/15/14
Marvin & Pat Miller	$100,000	1/15/14
Mark & Debbie Wenig	$50,000	1/24/14

Kirk Fischer	$600,000	1/29/14[5]
Brian Imdieke	$500,000	2/11/14[6]
Ryan Baughman	$300,000	2/11/14
Kaylene Moss	$10,000	3/5/14
Ryan Baughman	$300,000	4/1/14[7]
Wayne Ledet	$30,000	4/7/14
Alexandra Bunger	$850,000	5/1/14
Cassidy Bunger	$850,000	5/1/14
Connor Bunger	$850,000	5/1/14
Bill Hughes	$6,500	5/1/14
Bill Hughes -- IRA	$6,500	5/1/14

339. DenSco's sale of those promissory notes was necessary for DenSco to continue its business operations, and Clark Hill enabled DenSco to obtain investor funds during that five-month period without making adequate disclosures to those investors, exposing DenSco to substantial liability for those sales.

340. The Receiver will update this disclosure statement to identify additional promissory note sales after May 2014.

7. In Addition to Aiding and Abetting Chittick's Breach of Fidicuary Duties, Clark Hill Also Negligently Advised Chittick That DenSco Could Continue Giving Loan Proceeds to Menaged, Rather Than Paying Them Directly to a Trustee.

341. As of January 9, 2014, Clark Hill knew that Chittick had been grossly negligent in managing DenSco's lending operations by giving tens of millions of loan proceeds to Menaged, rather than paying them directly to a Trustee.

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[5] Five-year note.

[6] Six-month note.

[7] Three-month note.

342. Clark Hill knew that this practice violated the terms of the Mortgage document Clark Hill knew DenSco routinely employed to document loans, which stated that the "The undersigned borrower ("Borrower") acknowledges receipt of the proceeds of a loan from DenSco Investment Corporation ("Lender") in the sum of $_____, ***as evidenced by check payable to: _____ ("Trustee")***. (Emphasis added.)

343. Clark Hill also knew that this practice was an extraordinary breach of the representations in DenSco's POMs. As Beauchamp has admitted in interrogatory answers, DenSco's POMs represented that DenSco employed appropriate due diligence and loan procedures in making loans. An essential part of those loan procedures was that "every mortgage evidencing a property purchase made with a DenSco loan stated that the check purchasing the property was made to the Trustee."

344. Clark Hill also knew, from Beauchamp's January 9, 2014 meeting with Chittick and Menaged, that Chittick's failure to follow those loan procedures had exposed DenSco to a substantial potential loss of between $11.6 and $14.5 million, or between 25% and 30% of the $47 million that Beauchamp understood DenSco had raised as of June 2013.

345. And Clark Hill knew that those potential losses resulted from Chittick's dealings with one borrower, Scott Menaged.

346. After Clark Hill learned, through Beauchamp's January 9, 2014 meeting with Chittick and Menaged, that Chittick intended to cause DenSco to continue loaning money to Menaged, Clark Hill should have issued immediate, clear written advice to Chittick that: (1) DenSco must adhere to the lending practices identified in its POMs and referenced in the Mortgage – i.e., disbursing loan proceeds directly to a Trustee, through a check (as the Mortgage contemplated) or a wire transfer; and (2) never disbursing loan proceeds directly to Menaged (or any other borrower) under any circumstances.

347. Clark Hill had the opportunity to give that advice when Beauchamp received an email from Chittick during the evening of January 9, 2014, in which Chittick posed the following question:

> If [I] [obtain] a cashier's check and take it to the trustee myself, [I] don['t] get a receipt that DenSco [p]aid for it. [I] get a receipt saying that X property was paid for, for X $'s vested in borrower's name. [DenSco's] name doesn't appear on it. [O]ther than having a cashier's check receipt saying [DenSco] made a check out for it, there isn't anything from the trustee saying that it was [DenSco's] check. ***[I] could wire [Menaged] the money, he could produce a cashier's check that says remitter is DenSco and it would have the exact same [e]ffect as if [I] got [a] cashier's check that said [DenSco's] the remitter.*** . . . [P]ut aside the logistics for a second, what proof or what guarantee is there by me cutting the check and handing it to [S]uzy at the trustee[']s office rather than my borrowers? [I] know [I] must be missing something. (Emphasis added.)

348. Clark Hill failed to tell Chittick that he could not "wire Menaged the money" because: (1) doing so was contrary to representations in the POM and the terms of the Mortgage; (2) doing so had previously exposed DenSco to a potential loss of between $11.6 and $14.5 million; and (3) Menaged could not, given obvious questions about the veracity of his "cousin" story, be trusted.

349. Beauchamp instead responded in an email that night in which he said: "***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." (Emphasis added.)

350. On January 17, 2014, Beauchamp told two other lawyers at Clark Hill, Dan Schenck and Bob Anderson, who specialized in real estate lending, that the firm needed to review "the demand letter from Bryan Cave asserting the claim from the other lenders" – i.e., that DenSco had fraudulently filed 52 Mortgage documents claiming that 52 Trustees had been paid to purchase properties at a Trustee's sale when no such payment had occurred -- and "[i]f this claim has any merit, [Clark Hill] need[ed] to advise DenSco to change its internal procedures." But neither Beauchamp, Schenck, nor Anderson undertook that analysis.

351. Beauchamp later advised Chittick that DenSco could continue wiring money to Menaged, trusting Menaged to pay the loan proceeds to a Trustee, so long as

Menaged provided written confirmation that he had done so. As Chittick wrote in July 2016:

a. "Going back to December of 2013, . . . [Menaged] knew he had to make money to help cover the deficit [that] would be created by the double encumbered properties and shortage that would be created at the time of disposition. He wanted time to still fund him buying properties at auction and flipping them, wholesaling them, etc. ***I talked to Dave about this in January [2014] and he was in agreement with it as long as I received copies of checks and receipts showing that I was paying the trustee.***" (Emphasis added.)

b. "Dave, my lawyer, negotiated the work out agreement and endorsed the plan. Then when [Menaged] said hey, let me buy some foreclosures, flip them, wholesale them, etc. so I can make money. ***All the other lenders wouldn't lend to him. I needed him to make money now more than ever before. We went to Dave, and he gave some constraints on how we were to operate.*** I have all the documentation. I received copies of checks made out to trustees, receipts from the trustees. I had all my docs signed. I recorded my mortgages. I had evidence of insurance, and I did everything." (Emphasis added.)

352. Clark Hill and Beauchamp claim in their initial disclosure statement, and Beauchamp claimed when he was deposed, that Clark Hill had advised Chittick in January 2014 that it should not give loan proceeds to Menaged and should instead give them to a Trustee. But a jury will find that this is yet another after-the-fact untruth. No documents in Clark Hill's file – not a letter, email, note or time entry – reflect that the advice was ever given. Moreover, Beauchamp's deposition testimony that he relied on Anderson to give that advice to Chittick and understood it had been given is belied by Anderson's deposition testimony, who said he had not done so.

353. A jury will reject Clark Hill's claim and find that DenSco followed Beauchamp's negligent advice to Chittick that DenSco could continue its long-standing

practice of giving loan proceeds directly to Menaged, trusting him to use those funds only to pay a Trustee for property that would be fully secured, with DenSco in first position. As a result, Menaged continued to have direct access to DenSco's funds, despite the tens of millions of dollars of losses that practice had caused DenSco, which put Menaged in a position to misappropriate those funds, just as he had misappropriated the loan proceeds DenSco had given him in previous years.

354. As a direct consequence of Clark Hill's negligence, DenSco suffered substantial losses.

355. If Clark Hill had instead advised Chittick that DenSco could never give loan proceeds to Menaged and must instead independently cause those funds to be delivered to a Trustee, Chittick would have followed that advice. Indeed, Chittick acknowledged in his January 9, 2014 email that he "must be missing something."

E. Response to 2016 ADFI Investigation

356. In March 2016, Chittick asked Beauchamp to help DenSco respond to another investigation by the Arizona Department of Financial Institutions. Beauchamp worked on the matter during March, April, May and June 2016, billing his time to a "General" matter he had established in January 2013. As with previous inquiries by ADFI, Clark Hill argued that DenSco should not be licensed and regulated by ADFI, which would have included a review of DenSco's lending procedures.

F. Chittick's Suicide

357. Chittick committed suicide on July 28, 2016.

358. Shortly before his death, Chittick wrote an "Investor" letter that was never sent to DenSco's investors but was among the business records obtained by the Receiver. Among the statements in that letter are the following: "Why didn't I let all of you know what was going on at any point? It was pure fear. . . . I have 100 investors. I had no idea what everyone would do or want to do or how many would just sue, justifiably. ***I also feared that there would be a classic run on the bank. . . I truly***

believe we had a plan that would allow me to continue to operate, my investors would receive their interest and redemptions as a normal course of business, and the rest of my portfolio was performing. Dave blessed this course of action. (Emphasis added.) We signed this workout agreement and began executing it."

359. The letter also stated: "Going back to December of 2013, . . . [Menaged] knew he had to make money to help cover the deficit [that] would be created by the double encumbered properties and shortage that would be created at the time of disposition. He wanted time to still fund him buying properties at auction and flipping them, wholesaling them, etc. ***I talked to Dave about this in January [2014] and he was in agreement with it as long as I received copies of checks and receipts showing that I was paying the trustee.***" (Emphasis added.)

360. Chittick also wrote a detailed letter to his sister, Shawna Heuer (aka Iggy), shortly before his death. He wrote: ***"[Beauchamp] let me get the workout signed[,] not tell the investors[,] and try to fix the problem. That was a huge mistake.*** . . . Dave did a workout agreement with [Menaged], we were executing to it and making headway, ***yet Dave never made me tell the investors. . . . I talked Dave my attorney into allowing me to continue without notifying my investors. Shame on him. He shouldn't have allowed me. He even told me once I was doing the right thing."*** (Emphasis added.)

361. The letter also stated: "***Dave, my lawyer, negotiated the work out agreement and endorsed the plan.*** (Emphasis added.) Then when [Menaged] said hey, let me buy some foreclosures, flip them, wholesale them, etc. so I can make money. All the other lenders wouldn't lend to him. I needed him to make money now more than ever before. We went to Dave, and he gave some constraints on how we were to operate. I have all the documentation. I received copies of checks made out to trustees, receipts from the trustees. I had all my docs signed. I recorded my mortgages. I had evidence of insurance, and I did everything."

362. This "Iggy Letter" contained detailed information about actions Chittick had taken in managing DenSco's affairs, including the location of funds and how he had transferred funds.

G. After Chittick's Death, Clark Hill Agreed to Represent Both DenSco and Chittick's Estate, Despite an Unconsentable Conflict.

363. According to Clark Hill's billing records, Beauchamp learned of Chittick's suicide on Saturday, July 30, 2016 through a telephone call with Robert Koehler and Shawna Heuer. Beauchamp billed his time for that call to the "Business Matters" file he had caused to be established on January 14, 2014.

364. Robert Koehler was identified in the 2011 POM, under the heading "Contingency Plan in the Event of Death or Disability of Mr. Chittick," as the person with whom Chittick had entered into a written agreement "to provide or arrange for any necessary services for the Company" upon Chittick's death or disability.

365. According to Beauchamp's notes from his July 30, 2016 telephone conversation with Koehler and Heuer, he was told that Chittick had sent him a letter with instructions and a detailed letter to Koehler. Beauchamp wrote that he needed "to get both letters & discuss how to deal w/ this."

366. On Sunday, July 31, 2016, Beauchamp exchanged emails with Koehler about scheduling a meeting with Koehler and Heuer the following afternoon.

367. Later that day, Beauchamp exchanged emails with Heuer in which Beauchamp approved an email Heuer had drafted to send to DenSco's investors which stated, in part, "[a] meeting with Denny's attorney is planned for Monday, August 1st, to form a course of action."

368. Heuer sent the e-mail to DenSco investors during the evening of July 31, 2016, forwarding a copy to Beauchamp, who thanked her for doing so.

369. Heuer sent Beauchamp before their August 1 meeting a copy of Chittick's Investor Letter and gave him at the meeting or in a meeting the following day a copy of the Iggy Letter.

370. During the August 1st meeting, Beauchamp agreed that Clark Hill would represent DenSco, reporting to Heuer, and also represent Heuer in her capacity as the personal representative of the Estate of Denny Chittick.

371. On August 2, 2016, Beauchamp and other Clark Hill attorneys met with Heuer.

372. On August 4, 2016, Clark Hill initiated a probate proceeding and continued to act as counsel for the Estate of Chittick until August 12, 2016

373. Clark Hill should not have agreed to represent DenSco after Chittick's death and should have instead terminated the representation because Clark Hill knew, based on its own conduct since September 2013 and knowledge of Chittick's conduct, that DenSco had potential claims against the firm.

374. Clark Hill should not have agreed to represent the Estate of Chittick because Clark Hill knew, based on its knowledge of Chittick's conduct, that DenSco had substantial claims against Chittick's Estate for Chittick's gross negligence in managing DenSco's affairs. Indeed, in this litigation Clark Hill has identified the Estate as a non-party at fault and seeks to blame Chittick for DenSco's losses. Moreover, soon after his appointment, the Receiver filed a Notice of Claim in Probate Court against the Estate, based in part on Chittick's gross mismanagement of DenSco and multiple breaches of fiduciary duties Chittick owed DenSco.

375. A jury can assume that Clark Hill agreed to continue representing DenSco and jointly represent the Estate of Chittick because it saw those representations as a means to protect itself from liability. The firm's conduct during the months of August, September and October 2016 provides further evidence that this was Clark Hill's objective.

H. Between August 1 and August 18, 2016, Clark Hill Effectively Ran DenSco's Day-to-Day Affairs.

376. After Chittick's death, Beauchamp, in coordination with Heuer, managed the day-to-day operations of DenSco until the Receiver was appointed on August 18, 2016.

377. Beauchamp opened a "Business Wind Down" file to which he charged his time.

378. During that time period, Beauchamp communicated with investors and representatives of the Securities Division of the Arizona Corporation Commission (the "ACC"), which investigated securities law violations by DenSco and initiated on August 17, 2016 a lawsuit alleging that DenSco had violated securities laws and sought the appointment of a receiver.

379. Although Clark Hill knew that as securities counsel to DenSco it faced potential claims by the ACC, DenSco's receiver, and/or DenSco's investors, it continued to represent DenSco.

380. Clark Hill authored several communications to DenSco's investors between August 1 and August 12, 2016 which failed to disclose information in Clark Hill's possession about Clark Hill's role as DenSco's securities counsel; Chittick's mismanagement of DenSco's lending practices; Chittick's decision to postpone the issuance of a new POM while still selling promissory notes; Chittick's goals in documenting the Forbearance Agreement; the actions Clark Hill had taken to assist Chittick; and Clark Hill's negligent advice to Chittick about DenSco's continued lending to Menaged.

381. Clark Hill also failed to provide that information to the ACC.

382. The investor communications Clark Hill drafted also suggested that DenSco and its investors would not be well served if a receiver were appointed. For example, in the first email Beauchamp sent to DenSco investors on August 3, 2016, he wrote:

> [T]he problem with DenSco's Troubled Loans developed over time and it will take some time to understand those Troubled Loans [and] how those loans came into existence. . . . If whoever is in charge of DenSco does not work with the Investors, then DenSco will either be put into bankruptcy or have a Receiver appointed, which will incur costs on behalf of the Investors and that will significantly reduce what will be available to return to the Investors. For example, ***one of the recent reports concerning liquidation of companies owing money to investors indicated that the costs associated with a bankruptcy or a Receiver can reduce the amount to be paid to investors by almost half or even a much more significant reduction. . . . [W]e would like to keep DenSco out of a protracted bankruptcy or a contentious Receivership proceeding***. As indicated above, various studies have shown that the third party costs and legal and other professional fees and costs and the inherent delays in bankruptcy and/or Receivership proceedings can consume more than 35% of the available money that should or would otherwise be available to be returned to Investors. (Emphasis added.)

I. Beginning on August 15, 2016, Clark Hill Sought to Conceal Its Negligence and the Assistance It Gave Chittick in His Breach of Fiduciary Duties by Falsely Claiming It Had Terminated Its Representation of DenSco, and Continues to Claim, Without Any Supporting Records, That It Did So.

383. During its investigation of potential securities law violations by DenSco, the ACC sought documents from Clark Hill about the firm's work for DenSco.

384. It was during that investigation that Clark Hill claimed for the first time that it had terminated its representation of DenSco because Chittick allegedly refused to follow the firm's advice.

385. Clark Hill has made inconsistent claims about the alleged termination of its representation of DenSco since August 2016 and continues to claim that the termination occurred despite the absence of any records to support the claim, and records that are inconsistent with the claim.

386. The claim was first made on August 15, 2016, when ACC investigator Gary Clapper sent Beauchamp an email which stated, in part: "Can you please get a copy of the forbearance agreement. Since the offering document is updated every two years can you please get copies of all of them."

387. Beauchamp responded: "I only have access to some of DenSco's files. Despite my requests, Denny Chittick did not request for all of DenSco's previous files to be transferred to me. In addition, ***Denny stopped our efforts to do an updated***

offering memorandum in 2013, so the initial work on that was never finished. Denny also ***did not engage us to prepare an amendment to the offering document or to prepare a new disclosure document despite several conversations about that issue***." (Emphasis added.)

388. In an August 17, 2016 declaration Beauchamp stated that "***[i]n late 2014 or 2015, I ended my formal relationship with Mr. Chittick and DenSco***."

389. In an August 21, 2016 email to DenSco investor Rob Brinkman, Beauchamp first wrote that "***my law firm started preparing the 2013 POM, but we were put on hold.*** After the Forbearance Agreement was signed by Scott Menaged, ***we started to amend the 2013 draft POM, but we stopped and withdrew as securities counsel for DenSco. Denny was supposed to get other counsel and finish the POM in 2014, but I do not know if that did happen***." (Emphasis added.) In a follow-up email to Brinkman, he wrote that ***"[t]he 2013 POM was never finalized due to attorney client protected issues that I have been instructed not to discuss***." (Emphasis added.)

390. In a February 8, 2017 email to the Receiver's counsel, Beauchamp made the following unsolicited statement: "Please note that my previous reference to 'securities work' was for work done PRIOR to when ***my firm terminated doing any securities or other legal work for DenSco when Denny Chittick refused to send the amended Private Offering Memorandum to his investors***. The amended Private Offering Memorandum that we wanted to be sent described the Forbearance Agreement and the changes to the lending criteria and security ratios that DenSco was to follow when making its loans to Borrowers. ***I believe that we terminated our representation in approximately July 2014."*** (Emphasis added.)

391. Clark Hill now claims that the firm terminated the representation in May 2014, stating in Defendants' initial disclosure statement (at 15) that

> Mr. Chittick . . . refused to provide the necessary information to complete the POM and refused to approve the description of the workout or the double lien issue. . . .

> ***In May 2014***, Mr. Beauchamp handed Mr. Chittick a physical copy of the draft POM and asked him what Mr. Chittick's specific issues were with the disclosure. Mr. Chittick responded that there was nothing wrong with the disclosure, he was simply not ready to make any kind of disclosures to his investors at this stage. Mr. Beauchamp again explained that Mr. Chittick had no choice in the matter and that he had a fiduciary duty to his investors to make these disclosures. Mr. Chittick would not budge. ***Faced with an intransigent client who was now acting contrary to the advice Mr. Beauchamp was providing, and with concerns that Mr. Chittick may not have been providing any disclosures to anyone since January 2014, Mr. Beauchamp informed Mr. Chittick that Beauchamp and Clark Hill could not and would not represent DenSco any longer***. Mr. Beauchamp also told 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. Mr. Chittick suggested that he has already started that process and was speaking with someone else.

392. But there is not a single document in Clark Hill's file to support this claim, such as a termination letter that law firms commonly send when ending a client relationship and especially when a law firm believes a client is disregarding advice given by the firm.

393. Moreover, Clark Hill makes this claim despite numerous documents in its files reflecting that Clark Hill never terminated the representation and continued to represent DenSco after May 2014. Those documents include:

a. Documents generated in June 2014 which reflected work Clark Hill performed to amend the Forbearance Agreement and correct errors the firm had made when the Forbearance Agreement was signed in April 2014. Chittick and Menaged signed those documents on June 18, 2014.

b. In May, June, July and August 2014, Beauchamp sent Chittick billing statements for work performed for DenSco through transmittal letters that stated: "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."

c. As noted above, when Chittick asked Clark Hill to respond to the ADFI inquiry in March 2016, Beauchamp billed his time to the "General" matter Clark Hill had established in January 2014.

d. As noted above, after Chittick's death, Beauchamp billed his time to the "Business Matters" file Clark Hill had established in January 2014.

e. On June 22, 2017, approximately six months before this lawsuit was filed, Clark Hill submitted two proofs of claim to the Receiver, seeking $53,820.00 for work performed between June 1, 2016 and August 17, 2016, and $23,046.00 for work performed between August 18, 2016 and September 30, 2016. Clark Hill claimed in an accompanying affidavit that "***[i]n 2016 and earlier, the Firm represented DenSco Investment Corporation***," providing "general business advice and representation," and that "[a]fter the death of DenSco's principal, in July 2016, the Firm transitioned the subject matter of its work to advice and guidance to DenSco to assist in winding down its business." (Emphasis added.) Clark Hill did not claim then that it had terminated its representation of DenSco at any previous time.

394. In claiming that Clark Hill had, in fact, terminated its representation of DenSco in May 2014 – a claim verified by Clark Hill's General Counsel – Clark Hill concealed material information it should have disclosed pursuant to Rule 26.1. It was only after the Receiver's counsel served written discovery on Clark Hill that Clark Hill disclosed that it did not close until May 2018 – ***after*** receiving the Receiver's written discovery – the files Clark Hill had opened in September 2013 to prepare a new POM and in January 2014 for the "lien workout." The files established for DenSco's "General" and "Business Matters" were never closed and remain open.

J. Clark Hill Colluded With the Estate of Chittick to Prevent the Receiver From Obtaining Material Information.

395. Clark Hill did not internally consider the conflicts created by its joint representation of DenSco and the Chittick Estate until an investor raised the issue on August 10, 2016.

396. Clark Hill referred Heuer to lawyers whom Clark Hill believed would aggressively protect the Estate from potential claims by investors and the Receiver –

Beauchamp's former colleagues at Gammage & Burnham: James Polese and Kevin Merritt.

397. Clark Hill then began colluding with Gammage & Burnham to protect the Chittick Estate and Clark Hill from the Receiver.

398. Among other evidence of such collusion are emails exchanged between Polese, Merrick and Beauchamp about seeking the appointment of a receiver other than the Receiver.

399. Moreover, shortly before the August 18, 2016 hearing at which the Receiver was appointed, Beauchamp, with the assistance and approval of Clark Hill's Assistant General Counsel, prepared a declaration for the Estate to submit to the Receivership Court which Beauchamp has since acknowledged falsely stated that Clark Hill had jointly represented DenSco and Chittick individually.

400. During the August 18, 2016 hearing, neither Beauchamp nor Clark Hill's Assistant General Counsel corrected false statements by the Estate's counsel to the effect that Clark Hill had jointly represented DenSco and Chittick personally.

401. That claim was integral to the Estate's successful effort to obtain language in the Order appointing the Receiver which recognized the existence of the spurious joint representation claim and materially limited the Receiver's ability to promptly and efficiently obtain relevant records from Clark Hill's files.

402. The Estate and Clark Hill used the Order as an excuse to decline to provide the Receiver with immediate access to relevant records, such as the Iggy Letter, and to "slow walk" Clark Hill's production of its files to the Receiver.

403. The Receiver's counsel sent a letter demanding the immediate production of the files on August 29, 2016. Clark Hill did not produce them until October 13, 2016, and only after making multiple demands. During this time period, Clark Hill's Office of General Counsel was actively involved and directed the firm's response to the Receiver's demands.

404. In the interim, Clark Hill and the Estate continued using the false claim that Clark Hill had jointly represented DenSco and Chittick personally to delay providing relevant information to the Receiver.

405. The Estate also proposed, with Clark Hill's implicit consent, a "common interest" agreement between the Estate, DenSco (represented by Clark Hill) and the Receiver, which falsely stated that because of the alleged joint representation by Clark Hill of DenSco and Chittick personally, the Estate, DenSco and the Receiver had a common interest in defending lawsuits that investors might pursue.

406. After finally receiving Clark Hill's files in October 2016, the Receiver discovered critical documents, such as the Iggy Letter, that the Estate had sought to prevent the Receiver from obtaining under a claim of personal privilege. That document contained information that was material to claims the Receiver later brought against the Estate of Chittick. Without the document, the Receiver had been required to devote substantial resources to independently discovering information contained in the Iggy Letter.

K. Actions Taken by the Receiver

407. After his appointment, the Receiver took possession of and analyzed DenSco's books and records, issuing a preliminary report on September 19, 2016, which the Receiver incorporates by reference in this disclosure statement.

408. On December 9, 2016, the Receiver filed a notice of claim in the probate court against the Estate of Denny Chittick, asserting, inter alia, claims that Chittick had breached fiduciary duties owed DenSco.

409. The Estate issued a notice of disallowance of the claim on February 3, 2017.

410. On December 23, 2016, the Receiver issued a status report, which the Receiver incorporates by reference in this disclosure statement. That report contains,

among other things, the Receiver's conclusion that DenSco was insolvent in January 2014.

411. The Receiver monitored and took part in a bankruptcy proceeding that Menaged initiated. Among other things, the Receiver's counsel conducted an examination of Menaged, and the Receiver filed an adversary complaint and a complaint to determine nondischargeability, and obtained a judgment against Menaged.

412. On June 22, 2017, Clark Hill submitted two proofs of claim to the Receiver, which are discussed above.

413. On September 14, 2017, the Receiver filed a petition with the Receivership Court seeking to file this action. The petition was granted on October 10, 2017.

414. On September 25, 2017, the Receiver filed in the Receivership Court Petition No. 37 – Petition for Approval of Receiver's Final Recommendations Approving Claims in DenSco Receivership, in which the Receiver recommended that Clark Hill's claims be denied "because the Receiver has determined that Clark Hill had a conflict of interest that precluded it from performing the legal services without violating fiduciary duties to DenSco. Despite providing Clark Hill with notice of the Receiver's recommendation of the denial of its two claims and a copy of the Claims Report, Clark Hill failed to object or respond to the Receiver's recommendation that their two non-investor claims submitted by Clark Hill be denied." The Petition was granted on October 27, 2017.

415. This action was filed on October 16, 2017.

416. On December 22, 2017, the Receiver issued a status report describing the status of the receivership, which the Receiver incorporates by reference in this disclosure statement.

II. LEGAL BASIS FOR CLAIMS

A. Count One (Legal Malpractice)

The Receiver asserts that Defendants were negligent. To sustain that claim, the Receiver "must prove the existence of a duty, breach of duty, that the defendant's negligence was the actual and proximate cause of injury, and the 'nature and extent' of damages." *Glaze v. Larsen*, 207 Ariz. 26, 29, ¶ 12, 83 P.3d 26, 29 (2004) (citing *Phillips v. Clancy*, 152 Ariz. 415, 418, 733 P.2d 300, 303 (App. 1986)).

That Defendants owed a duty to DenSco is undisputed, established by, *inter alia*, the engagement letter Clark Hill issued in September 2013.

The Receiver anticipates establishing, through expert testimony, that Clark Hill fell below the standard of care by, *inter alia*, *(i)* failing to advise DenSco at the outset of the representation that DenSco could not sell any promissory notes without first issuing a new POM; *(ii)* failing to advise DenSco of the consequences of having previously sold promissory notes without an adequate disclosure document; *(iii)* accepting the responsibility of preparing a new POM and then following Chittick's instruction not to perform work on the new POM until Chittick wished to do so, knowing that DenSco was continuing its business operations and selling promissory notes to rollover investors and others; *(iv)* failing to properly advise DenSco during the first week of January 2014 about the actions DenSco was required to take in light of the loan losses caused by Chittick's gross mismanagement of DenSco's lending practices and Chittick's intent to pursue a "work out" with Menaged; *(v)* advising DenSco that it could sell promissory notes without first issuing a new POM and could continue its business operations, including the sale of promissory notes, while indefinitely delaying the issuance of a new POM; *(vi)* negligently advising DenSco during January 2014 about the procedures DenSco should employ in loaning monies to Menaged; and *(vii)* failing to withdraw from the representation of DenSco when it was apparent that Chittick intended to take actions that were harmful to the interests of DenSco and its creditors, including its investors.

The Receiver will establish that, but for Defendants' negligence, DenSco would not have sold more than $8 million of promissory notes between September and December 2013, and more than $5 million of promissory notes between January and May 2014. Without such sales, and Chittick's decision to cause DenSco to pursue the Forbearance Agreement, rather than to seek to recover from Menaged the losses caused by Chittick's gross mismanagement of DenSco's lending practices, DenSco would not have suffered losses on the loans DenSco made to Menaged through the Forbearance Agreement as well as the "non-workout" loans that DenSco made to Menaged. Those losses were reasonably foreseeable to Beauchamp and others at Clark Hill.

The Receiver alternatively asserts that Clark Hill and Beauchamp breached fiduciary duties they owed DenSco. "[T]he essential elements of legal malpractice based on breach of fiduciary duty include the following: (1) an attorney-client relationship; (2) breach of the attorney's fiduciary duty to the client; (3) causation, both actual and proximate; and (4) damages suffered by the client." *Cecala v. Newman*, 532 F. Supp. 2d 1118, 1135 (D. Ariz. 2007) (internal citations omitted).

The Receiver will establish through expert testimony that Defendants breached their duty of loyalty to their only client, DenSco, by taking actions after January 9, 2014 that were intended to advance Chittick's rather than DenSco's interests, and by failing to take actions that would have advanced DenSco's interests. The Receiver will establish that, but for Defendants' breach of fiduciary duty, DenSco would not have suffered losses on the loans DenSco made to Menaged through the Forbearance Agreement as well as the "non-workout" loans that DenSco made to Menaged, and that those losses were reasonably foreseeable to Beauchamp and others at Clark Hill.

In addition to the loan losses DenSco suffered as a result of Defendants' breach of fiduciary duty, DenSco also seeks an order requiring Clark Hill to disgorge fees it received from DenSco for work performed after Clark Hill breached its fiduciary duties. DenSco relies on Restatement (Third) of the Law Governing Lawyers § 37, which

states: "A lawyer engaging in clear and serious violation of duty to a client may be required to forfeit some or all of the lawyer's compensation for the matter. Considerations relevant to the question of forfeiture include the gravity and timing of the violation, its willfulness, its effect on the value of the lawyer's work for the client, any other threatened or actual harm to the client, and the adequacy of other remedies." The Receiver relied on § 37 in denying Clark Hill's proofs of claim.

B. Count Two (Aiding and Abetting Breach of Fiduciary Duty)

The Receiver asserts that Clark Hill and Beauchamp aided and abetted Chittick in breaching fiduciary duties Chittick owed DenSco. Arizona recognizes that "lawyers have no special privilege against civil suit" and are "subject to liability to a client or nonclient when a nonlawyer would be in similar circumstances" including claims for aiding and abetting. *Chalpin v. Snyder*, 220 Ariz. 413, 424, ¶¶ 44-45, 207 P.3d 666, 677 (2008) (internal citations omitted). It is also generally recognized that "a corporate attorney may be liable . . . for aiding and assisting the directors and officers in breaching their fiduciary duties." 3 William Fletcher, *Cyclopedia of the Law of Private Corporations* § 839.10 (Apr. 2018 update).

To sustain this claim, the Receiver must establish that: "(1) [Chittick breached a fiduciary duty he owed DenSco] causing injury to [DenSco]; (2) [Defendants] knew [Chittick] breached a duty; (3) [Defendants] substantially assisted or encouraged [Chittick] in the breach; and (4) a causal relationship exists between the assistance or encouragement and [Chittick's] breach." *Security Title Agency, Inc. v. Pope*, 219 Ariz. 480, 491, ¶ 44, 200 P. 3d 977, 988 (App. 2008).

Chittick, as DenSco's only director and officer, owed fiduciary duties to DenSco. "In Arizona a director of a corporation owes a fiduciary duty to the corporation and its stockholders. This duty is in the nature of a trust relationship . . . ." *Atkinson v. Marquart*, 112 Ariz. 304, 306, 541 P.2d 556, 558 (1975) (citations omitted). These fiduciary duties are both "implied by law," *Dooley v. O'Brian*, 226 Ariz. 149,

154, ¶ 18, 244 P.3d 586, 591 (App. 2010), and codified by statute. *See* A.R.S. § 10-830 (duties of directors); A.R.S. § 10-842 (duties of officers).

Chittick also owed fiduciary duties to DenSco's creditors, including its investors. Under Arizona law, a director's fiduciary duties "can apply even to creditors when a corporation enters the zone of insolvency, without regard to the terms of the underlying contracts." *Dooley*, 226 Ariz. at 154, ¶ 18, 244 P.3d at 591. "Once a corporation becomes insolvent, the creditors join the class of persons to whom directors owe a fiduciary duty to maximize the economic value of the firm for *all* of the firm's creditors." *Dawson v. Withycombe*, 216 Ariz. 84, 107, ¶71, 163 P.3d 1034, 1057 (2008).

Among Chittick's duties was the duty of loyalty. He was required to act in "good faith" and in the manner he "reasonably believe[d] to be in the best interests of the corporation." A.R.S. § 10-830(A)(1), (3); A.R.S. § 10-842(A)(1), (3). "The duty of loyalty mandates that the best interest of the corporation . . . take precedence over any interest possessed by a director." Fletcher, *supra*, at § 837.60; *see also AMERCO v. Shoen*, 184 Ariz. 150, 160, 907 P.2d 536, 546 (App. 1995) (approving jury instruction to the effect that "defendants were obliged to place the corporation's interest before their own"). Loyalty therefore includes "a duty to disclose information to those who have a right to know the facts." Fletcher, *supra*, at § 837.50.

Chittick also owed a separate duty of care. He was required to exercise a "high degree of care," *Atkinson*, 112 Ariz. at 306, 541 P.2d at 558, including "the care an ordinarily prudent person in a like position would exercise under similar circumstances." A.R.S. §§ 10-830(A)(2), 10-842(A)(2). Care includes ensuring that the corporation complies with the law. *See, e.g., Big 4 Advert. Co. of Phx. v. Clingan*, 15 Ariz. 34, 38, 135 P. 713, 715 (1913) ("It is the duty of the board of directors to see that the law's requiurements are observed.").

Care also includes investigation. For example, "[t]he existence of a 'red flag' that might cause suspicion may require a director to make reasonable inquiries."

Fletcher, *supra*, at § 1034.80. While the business judgment rule sometimes calls for judicial deference to a director's decision, that rule does not apply when, for instance, the director fails to gather "all material information reasonably available" or is "personally interested" in the decision. *Resolution Trust Corp. v. Dean*, 854 F. Supp. 626, 636, 644 (first quoting *Blumenthal v. Teets*, 155 Ariz. 123, 128, 745 P.2d 181, 186 (App. 1987); then citing *Shoen v. Shoen*, 167 Ariz. 58, 65, 804 P.2d 787, 794 (App. 1990)); *see also* Fletcher, *supra*, at § 1040 ("To gain the protection of the business judgment rule, a director must have been disinterested, independent, and informed."). Even under the business judgment rule, a director still is liable for "gross negligence." *Resolution Trust Corp.*, 854 F. Supp. at 635; *see also* Fletcher, *supra*, at § 1040 ("[T]he presumptions arising from the business judgment rule may be overcome by showing irrationality or inattention on the part of corporate officers or directors.").

Clark Hill knew that Chittick owed fiduciary duties to DenSco and its investors, as is evidenced by numerous emails Beauchamp authored. *See, e.g.*, Feb. 4, 2014 Email from Beauchamp to Chittick, at DIC0006673 ("you cannot obligate DenSco to further help Scott, because that would breach your fiduciary duty to your investors."); Feb. 9, 2014 Email from Beauchamp to Chittick, at DIC0006703 ("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."); Feb. 14, 2014 Email from Beauchamp to Chittick, at DIC0006698 ("Unfortunately, it is not your money. It is your investors' money. So you have a fiduciary duty.").

Clark Hill continues to acknowledge that Chittick owed these duties. *See* Defendants' Fifth Supplemental Rule 26.1 Disclosure Statement at 12-13, 15 (referring to Chittick's "fiduciary duty" to DenSco's investors); *see also* Deposition of David George Beauchamp, 7/19/2018, at 135:8-10 (stating that Chittick's "fiduciary duty was to DenSco and the investors"), 157:19-21 ("Q. Mr. Beauchamp, DenSco owed fiduciary duties to its investors. True? A. Correct."), 162:17-20 ("Q. You understand that DenSco owed a duty of loyalty to its investors. That's part of a fiduciary duty,

correct? A. Correct."), 172:22-173:1 ("Q. . . . DenSco has a fiduciary duty to disclose material facts to its investor. True? A. That is correct."), 330:24-331:3 ("Q. . . . DenSco had a fiduciary duty of loyalty and disclosure to its investors. True? A. Correct."); 337:11-15 ("Q. DenSco had a fiduciary duty of diligence to its investors. True? [Objection to form.] A. It had a fiduciary duty to use sound business judgment in doing the loans, yes.").

Chittick breached these fiduciary duties by, *inter alia*,

- failing to acquire the manpower and resources necessary to effectively manage DenSco's ever-increasing loan volume;
- using lax and grossly negligent lending practices that violated the terms of DenSco's loan documents and representations made to investors in DenSco's POMs;
- instructing Clark Hill not to do any work on a new POM while causing DenSco to continue selling promissory notes between September and December 2013;
- failing to acknowledge that the loan losses evident from Bryan Cave's January 6, 2014 demand letter and the claims of other hard money lenders were the result of his own grossly negligent practice of disbursing loan proceeds to Menaged, contrary to the terms of the Mortgage form and representations made to investors in DenSco's POMs;
- failing to question, much less investigate, the veracity of Menaged's claim that his "cousin" had caused those losses;
- failing to investigate where the funds supposedly taken by Menaged's "cousin" had gone;
- pursuing a work out plan with Menaged that was not in the best interests of DenSco and its investors and other creditors, instead of pursuing legal remedies against Menaged;
- deciding to continue giving loan proceeds directly to Menaged, rather

than a Trustee, contrary to the terms of the Mortgage form and representations made to investors in DenSco's POMs;

- causing DenSco to sell promissory notes between January and May 2014 without first issuing a new POM;
- instructing Clark Hill to not do more work on a new POM other than the limited work that Clark Hill performed in May 2014 to prepare a new POM; and
- causing DenSco to sell promissory notes between June 2014 and June 2016 without first issuing a new POM;

Defendants' knowledge of Chittick's breaches of fiduciary duty can be inferred from the circumstances. *Pope,* 219 Ariz. at 491, ¶ 45, 200 P. 3d at 988. Indeed, some courts have held that "[c]onstructive knowledge is adequate when the aider and abettor has maintained a long-term or in-depth relationship with the fiduciary." *Chem-Age Industries, Inc. v. Glover*, 652 N.W. 2d 756, 775 (S.D. 2002) (internal citation omitted). The facts set forth above demonstrate Clark Hill's intimate knowledge of, and participation in, Chittick's breaches of fiduciary duty.

Causation "requires proof of a causal connection between the defendant's assistance or encouragement and the primary tortfeasor's commission of the tort, although 'but for' causation is not required." *Pope*, 219 Ariz. at 491, ¶ 47, 200 P.3d at 988. "The test is whether the assistance makes it 'easier' for the violation to occur, not whether the assistance was necessary." *Wells Fargo Bank v. Ariz. Laborers, Teamsters & Cement Masons Local No. 395 Pension Trust Fund*, 201 Ariz. 474, 485, ¶ 31, 38 P.3d 12, 23 (2002). *Cf. Granewich v. Harding*, 329 Or. 47, 59, 985 P.2d 788, 800 (1999) (allegation that lawyer for corporate client took actions "outside the scope of any legitimate employment on behalf of the corporation" sufficient to allege substantial assistance in aiding and abetting non-client corporate constituent's breach of fiduciary duties).

The facts set forth above demonstrate that Clark Hill provided substantial

assistance to Chittick's breaches of fiduciary duty over an extended period of time.

C. Punitive Damages

The Receiver seeks punitive damages. To recover punitive damages, the Receiver must "prove by clear and convincing evidence that the defendant engaged in aggravated and outrageous conduct with an 'evil mind.' A defendant acts with the requisite evil mind when he intends to injure or defraud, or deliberately interferes with rights of others, 'consciously disregarding the unjustifiable substantial risk of significant harm to them.' Important factors to consider when deciding whether a defendant acted with an evil mind include (1) the reprehensibility of defendant's conduct and the severity of the harm likely to result, (2) any harm that has occurred, (3) the duration of the misconduct, (4) the defendant's awareness of the harm or risk of harm, and (5) any concealment of it." *Hyatt Regency Phoenix Hotel Co. v. Winston & Strawn*, 184 Ariz. 120, 132, 907 P.2d 506 (App. 1995) (citations omitted).

Punitive damages are appropriately awarded when, as here, an attorney breaches fiduciary duties, acts out of self-interest, and attempts to conceal his misconduct. *See, e.g., Elliott v. Videan*, 164 Ariz. 113, 791 P.2d 639 (App. 1989) (punitive damages were appropriate where attorney had conflict of interest, concealed it from client, and acted to benefit at client's expense); *Asphalt Engineers v. Galusha*, 160 Ariz. 134, 770 P.2d 1180 (App. 1989) (affirming award of punitive damages against attorney who breached ethical duties to his client and concealed his misconduct).

"[Clark Hill] can be vicariously liable in punitive damages for acts that its partner [Beauchamp] performed in the ordinary course of the partnership's business." *Hyatt Regency*, 184 Ariz. at 130, 907 P.2d at 130.

The Receiver has established a prima facie case for punitive damages based on Beauchamp's and Clark Hill's: *(i)* aiding and abetting Denny Chittick's breaches of fiduciary duty to DenSco and investors of DenSco, which in turn breached duties they owed DenSco; *(ii)* conflicts of interest; and *(iii)* actions taken to conceal their misconduct.

Evidence of that prima facie case is drawn from the documents produced by Clark Hill to date, Clark Hill's Rule 26.1 Initial Disclosure Statement, Beauchamp's answers to interrogatories, and the depositions and exhibits thereto of Beauchamp, Daniel Schenck, and Robert Anderson. Without limiting the evidence on which the Receiver may rely, the evidence developed to date includes the following facts or inferences drawn therefrom:

a. When Clark Hill undertook the representation of DenSco in September 2013, it knew through Beauchamp that DenSco's 2011 POM had expired on July 1, 2013 and that DenSco had not issued a new POM, even though one-half of DenSco's investors held promissory notes that were due to expire, and would almost certainly be renewed through the sale of new promissory notes between July and December 2013. Despite that knowledge, Clark Hill and Beauchamp agreed with Chittick, as a condition of opening a file to prepare a new POM, that the firm would do no work on a new POM until Chittick instructed Clark Hill to do so.

b. As a result of Clark Hill's and Beauchamp's knowing participation in this breach of fiduciary duty by Chittick, DenSco sold more than $8 million of promissory notes between September and December 2013 to investors who did not receive a new POM, and were unaware of DenSco's perilous financial condition and Chittick's gross mismanagement of DenSco's loan portfolio. Those investors would not have purchased promissory notes if they had known those facts. Without those funds, and funds DenSco raised thereafter through Clark Hill's and Beauchamp's assistance, DenSco could not have continued operating.

c. In January 2014, Clark Hill and Beauchamp received clear, unequivocal evidence that Chittick's mismanagement of DenSco's loan portfolio, specifically his decision to give loaned funds directly to borrowers, rather than to a Trustee, as DenSco's loan documents required and as DenSco's POMs had represented, had resulted in a potential loss to DenSco of between $11.6 and $14.5 million, or

between 25% and 30% of the $47 million that Clark Hill understood DenSco had raised as of June 2013.

d. Clark Hill and Beauchamp knew that DenSco's interests and Chittick's interests were then in conflict, and that DenSco was their only client.

e. Clark Hill and Beauchamp nevertheless advised Chittick that: (1) he could pursue a "work out" with Menaged that was eventually documented in the Forbearance Agreement which was not in DenSco's interests and was intended to protect Chittick from claims by DenSco's investors; (2) DenSco could continue to sell promissory notes without issuing a new POM; and (3) DenSco could continually delay the issuance of a new POM while Chittick pursued this workout plan.

f. Clark Hill and Beauchamp acted out of their own self-interest, knowing that if DenSco instead terminated its relationship with Menaged and informed its investors of the Chittick's mismanagement, Clark Hill and Beauchamp faced potential claims by investors who had purchased $8 million of promissory notes from DenSco without adequate disclosure during the four-month period that Clark Hill and Beauchamp had been advising the firm on securities law matters, but failed to advise Chittick that DenSco could not sell those notes without first issuing a new POM and had abided by Chittick's instruction not to prepare the new POM the firm had been retained to prepare.

g. In January 2014, Clark Hill knew that Menaged was an unreliable creditor, that Chittick had flagrantly disregarded DenSco's lending documents and representations made to investors through DenSco's previous POMs by giving millions of loaned funds directly to Menaged, rather than to a Trustee. Clark Hill also knew that Chittick needed to continue loaning money to fund the planned "work out" and wanted to continue his past practice of giving loaned funds directly to Menaged. Rather than tell Chittick that his past practices were a breach of fiduciary duty and could not continue, Clark Hill acquiesced in Chittick's plan to continue giving loaned funds

directly to Menaged, thereby exposing DenSco and its investors to even greater losses than those caused by Chittick's gross mismanagement before that date.

h. With Clark Hill's knowing assistance, Chittick caused DenSco to sell more than $5 million of promissory notes between January and May 2014 to investors who did not receive a new POM, and were unaware of DenSco's perilous financial condition, Chittick's gross mismanagement of DenSco's loan portfolio, and his pursuit of a "work out" with Menaged that was not in DenSco's interests and exposed the company and its investors to additional financial loss. Those investors would not have purchased promissory notes if they had known those facts. Without those funds, and funds DenSco raised thereafter through Clark Hill's assistance, DenSco could not have continued operating.

i. In May 2014, at Chittick's request, Clark Hill agreed to stop the minimal steps it had taken to prepare a new POM and assured Chittick that DenSco could continue its operations, including the sale of promissory notes, while indefinitely delaying the issuance of a new POM.

j. Clark Hill continued to represent DenSco, awaiting his decision to finally direct the firm to finish preparing a new POM. Chittick continue to operate DenSco, selling still more promissory notes to investors who did not receive a new POM and were not given information about DenSco's financial condition and Chittick's management of the company.

k. After Chittick's death, Clark Hill and Beauchamp failed to withdraw from representing DenSco despite their knowledge of Chittick's mismanagement of DenSco and evidence that Chittick blamed Clark Hill and Beauchamp for having negligently represented DenSco.

l. In addition to undertaking that conflicted representation, Clark Hill and Beauchamp agreed to also represent the Estate of Denny Chittick, despite knowing that the interests of DenSco and the Estate were adverse, because DenSco had

substantial claims against the Estate arising from Chittick's multiple breaches of fiduciary duty he owed DenSco.

m. Clark Hill and Beauchamp sought to represent DenSco and the Estate because it hoped to cover up evidence of its own misconduct and deter the ACC, investors, or the Receiver from pursuing claims against them.

n. As part of their plan to protect themselves from liability, Clark Hill and Beauchamp began stating, during their representation of DenSco, that they had terminated their representation of DenSco because of Chittick's alleged failure to follow their advice. They continued to make that claim and have done so in this litigation. The Receiver believes the claims are untrue, as they are: (1) contrary to Clark Hill's and Beauchamp's actual course of conduct; (2) not evidenced by any document; (3) in conflict with certain documents in Clark Hill's possession, some of which Clark Hill failed to disclose; and (4) inconsistent with what a reasonable law firm would have done if it had, in fact, terminated the representation of a client who failed to follow the firm's advice and was engaging in violations of law.

o. Clark Hill and Beauchamp also colluded with the Estate and its counsel to conceal material information from the Receiver and/or delay his receipt of that information by, among other things, making knowing false statements to the Receivership Court. Clark Hill did so with the knowledge and participation of its Office of General Counsel.

III. ANTICIPATED TRIAL WITNESSES

The Receiver presently anticipates calling the following witnesses:

1. **David Beauchamp** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr. Beauchamp will testify about the facts set forth above in a manner consistent with the deposition testimony he has given in this matter.

2. **Robert Anderson** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Consistent with his deposition testimony, Mr. Anderson will testify that he did not undertake any effort to advise DenSco about deficiencies in its lending practices during January 2014, as Mr. Beauchamp claimed in his deposition. Mr. Anderson may testify on other matters addressed during his deposition.

3. **Daniel Schenck** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr. Schenck will testify that he did not undertake any effort to advice DenSco about defiencies in its lending practices during January 2014, as Mr. Beauchamp claimed in his deposition. Mr. Schenck may testify about other matters addressed during his deposition.

4. **Mark Sifferman** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr. Sifferman, Clark Hill's former Assistant General Counsel, will testify about his actions in reviewing and revising Beauchamp's declaration that was submitted to the Receivership Court, his attendance at the August 18, 2016 hearing, and other matters addressed during his deposition.

5. **Ed Hood** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr. Hood, Clark Hill's General Counsel, will testify about matters addressed during his deposition.

6. Ryan Lorenz (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr. Lorenz will testify about the proofs of claim he submitted to the Receiver in June 2017, his accompanying affidavit, and the information contained therein.

IV. PERSONS WHO MAY HAVE RELEVANT KNOWLEDGE OR INFORMATION

A. Persons Affiliated With DenSco

1. **Shawna Chittick Heuer** (c/o James Polese, Gammage & Burnham, PLC, Two N. Central Avenue, 15th Floor, Phoenix, AZ 85004; (602) 256-0566): Ms. Heuer is Denny Chittick's sister. She has knowledge of certain facts set forth above and matters addressed during her deposition.

2. **Kurt Johnson** (3317 E. Bell Road, Suite 101-265, Phoenix, AZ 85032; (602) 505-8117): Mr. Johnson is an attorney who provided certain legal services to DenSco and is believed to have knowledge of those services.

3. **Robert Koehler** (RLS Capital, Inc., 4455 E Camelback Road, Suite D135, Phoenix, AZ 85018; (480) 945-2799): Mr. Koehler was described in the July 2011 POM as having entered into a written agreement with Chittick pursuant to which he was a signatory on DenSco's bank account, was to have received on a weekly basis "an updated spreadsheet of all properties currently being used as collateral for a loan" and, on a monthly basis, "a spreadsheet of all the investors and what is owed to them, and receives the monthly statements for all investors." Mr. Koehler was an investor in DenSco. After Mr. Chittick's death and at the request of Ms. Heuer, Mr. Koehler conducted a preliminary analysis of DenSco's loan portfolio. He is believed to have knowledge of DenSco's business operations, books and records, and written communications he received from Mr. Chittick at or around the time of his death.

4. **David Preston**: (Preston CPA, P.C., 1949 E. Broadway Road, Suite 101, Tempe, AZ 85282; (480) 820-4419): Mr. Preston is a Certified Public Accountant and an investor in DenSco. He provided professional services to DenSco. He commented on the 2007 POM. He communicated with David Beauchamp after Chittick's death in 2016. He is believed to have knowledge of his dealings with Denny Chittick, the professional services he provided to DenSco, his investment in DenSco,

his participation in the preparation of the 2007 POM, and his dealings with Mr. Beauchamp.

B. DenSco Investors

1. **William and Helene Alber** (1551 W. Grand Canyon Drive, Chandler, AZ 85248; wkalber@cox.net; (480) 200-8045): Mr. and Mrs. Alber are believed to have knowledge of their communications with Mr. Chittick, investments in DenSco through the Alber Family Trust, and their communications with Mr. Beauchamp after Mr. Chittick's death.

2. **Angels Investments, LLC** c/o Yusuf Yildiz (1609 W. 17th Street, Tempe, AZ 85281; yusif@comsiscomputer.com; 480-258-8171): Mr. Yildiz is believed to have knowledge of his communications with Mr. Chittick, the company's investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

3. **BLL Capital, LLC** c/o Barry Luchtel (5550 Wild Rose Lane, Suite 400, West Des Moines, IA 50266; (480)256-2274; (515) 225-0300): Mr. Luchtel is believed to have knowledge of his communications with Mr. Chittick, the company's investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

4. **Robert Brinkman** (15001 S. 5th Avenue, Phoenix, AZ 85045; rbrinkman@cox.net; (480) 460-8646): Mr. Brinkman is believed to have knowledge of his communications with Mr. Chittick, investments in DenSco individually and through the Brinkman Family Trust, and his communications with Mr. Beauchamp after Mr. Chittick's death.

5. **Craig and Tomie Brown** (6135 W. Trovita Place, Chandler, AZ 85226; Trovita@gmail.com; (480)287-4622): Mr. and Mrs. Brown are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco individually and through their trust, and their communications with Mr. Beauchamp after Mr. Chittick's death.

6. **Steven G. and Mary E. Bunger** (6134 W. Trovita Place, Chandler, AZ 85226; steve@bunger.me; (480) 961-4002): Mr. and Mrs. Bunger are believed to have knowledge of their communications with Mr. Chittick, investments in DenSco through the Bunger Estate, and their communications with Mr. Beauchamp after Mr. Chittick's death.

7. **Anthony Burdett** (1623 Common Drive, El Paso, TX 79936-5235; Burdett.anthony@gmail.com; (915) 373-1850): Mr. Burdett is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

8. **Kennen Burkhardt** (2030 S. Minnewawa Avenue, Fresno, CA 93727; KennenL@yahoo.com; (515) 537-5494; (949) 361-4335): Mr. Burkhardt is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco individually and through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

9. **Warren V. and Fay L. Bush** (P.O. Box 92080, Albuquerque, NM 87199-2080; wbush1120@comcast.net; (505) 856-7398; (505) 264-0773): Mr. and Mrs. Bush are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco, their involvement in the preparation of the 2011 POM, and their communications with Mr. Beauchamp after Mr. Chittick's death.

10. **Mary L. Butler** (62 Cypress Court, Durango, CO 81301): Ms. Butler is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through her IRA, and her communications with Mr. Beauchamp after Mr. Chittick's death.

11. **Van H. Butler** (62 Cypress Court, Durrango, CO 81301; butlerv@yahoo.com; (970) 749-9025): Mr. Butler is believed to have knowledge of his

communications with Mr. Chittick, his investments in DenSco individually and through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

12. **Thomas and Sara Byrne** (72 Commonwealth Avenue, San Francisco, CA 94118; thomasbyrne11@gmail.com; (415) 990-4676): Mr. and Mrs. Byrne are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco through their trust, and their communications with Mr. Beauchamp after Mr. Chittick's death.

13. **Erin P. Carrick Trust** c/o Gretchen P. Carrick (1404 W. Lakeshore Drive, Whitefish, MT 59937; epcarrick@gmail.com; (541) 729-1990): Ms. Carrick is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through the Trust, and her communications with Mr. Beauchamp after Mr. Chittick's death.

14. **Gretchen P. Carrick** (P.O. Box 773656, Eagle River, AK 99577; carricks3@ak.net; (541) 729-6878): Ms. Carrick is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through her Trust, and her communications with Mr. Beauchamp after Mr. Chittick's death.

15. **Averill Cate, Jr. and Mary Kris McIlwaine** (3661 N. Campbell Avenue, Suite 372, Tucson, AZ 85719; acatejr@gmail.com; (520) 370-6997): Mr. Cate and Ms. McIlwaine are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

16. **Arden and Nina Chittick** (8028 F 53rd Avenue West, Mukilteo, WA 98275; artnina@hotmail.com; (425) 205-8997): Mr. and Mrs. Chittick are believed to have knowledge of their communications with Denny Chittick, their investments in DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

17. **Eldon and Charlene Chittick** (5869 W. Heine Road, Coeur d'Alene, ID 83814; moandsam@yahoo.com; (208) 765-2702): Mr. and Mrs. Chittick are believed to have knowledge of their communications with Denny Chittick, their investments in DenSco through the Chittick Family Trust, and their communications with Mr. Beauchamp after Mr. Chittick's death.

18. **Eileen Cohen** (1419 Peerless Place, Apt. 116, Los Angeles, CA 90035): Ms. Cohen is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco, and her communications with Mr. Beauchamp after Mr. Chittick's death.

19. **Herbert I. Cohen** (1419 Peerless Place, Apt. 116, Los Angeles, CA 90035; (623) 866-3221): Mr. Cohen is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his Trust, and his communications with Mr. Beauchamp after Mr. Chittick's death.

20. **Dori Ann Davis** (5346 E. Herrera Road, Phoenix, AZ 85054; doriann@cox.net; (602) 300-9740): Ms. Davis is believed to have knowledge of her communications with Mr. Chittick, investments in DenSco through her Trust, and her communications with Mr. Beauchamp after Mr. Chittick's death.

21. **Glen P. Davis** (5346 E. Herrera Road, Phoenix, AZ 85054; glenbo@cox.net; (602) 692-5862): Mr. Davis is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

22. **Jack J. Davis** (543 West Avenue, Rifle, CO 81650; jackdavisdds@hotmail.com; (970) 625-1391): Mr. Davis is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

23. **Samantha Davis** c/o Jack J. Davis (543 West Avenue, Rifle, CO 81650; jackdavisdds@hotmail.com; (970) 625-1391): Ms. Davis is believed to have

knowledge of her communications with Mr. Chittick, her investments in DenSco, and her communications with Mr. Beauchamp after Mr. Chittick's death.

24. **Desert Classic Investments, LLC** c/o Steven G. Bunger (6134 W. Trovita Place, Chandler, AZ 85226; steve@bunger.me; (602) 531-3100): Mr. Bunger is believed to have knowledge of his communications with Mr. Chittick, the company's investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

25. **Scott D. Detota** (1220 Ridgewood Land, Lake Villa, IL 60046 sdetota99@yahoo.com; (847) 736-0160): Mr. Detota is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

26. **Amy Lee Dirks** (82 N. Acacia Drive, Gilbert, AZ 85233; amydirks@hotmail.com; (480) 414-5552): Ms. Dirks is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through her IRA, and her communications with Mr. Beauchamp after Mr. Chittick's death.

27. **Bradley Mark Dirks** (82 N. Acacia Drive, Gilbert, AZ 85233; (602) 206-3041): Mr. Dirks is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

28. **Dave DuBay** (6921 Trevett Lane, Casper, WY 82604; (307) 262-7708; davedubay@gmail.com): Mr. DuBay is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

29. **Ross H. Dupper** (6133 W. Victoria Place, Chandler, AZ 8526l; rdupper@rhdupper.com; (602) 768-8515): Mr. Dupper is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his Trust, and his communications with Mr. Beauchamp after Mr. Chittick's death.

30. **Todd F. Einick** (4757 E. Greenway Road, Suite 107B-107, Phoenix, AZ 85032; switchback62@hotmail.com; (480) 202-6752): Mr. Einick is believed to have knowledge of his communications with Mr. Chittick, investments in DenSco through the Trust, and his communications with Mr. Beauchamp after Mr. Chittick's death.

31. **Yusef Fielding** (1609 W. 17th Street, Tempe, AZ 85281; (480) 612-0666; yusef@comsiscomputer.com): Mr. Fielding is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

32. **Fischer Family Holdings** (2011 N. 51st Avenue, B-240, Glendale, AZ 85308; (480) 200-8730; kirkjfischer@yahoo.com): Mr. or Mrs. Fischer is believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

33. **GB 12, LLC** c/o Stanley Schloz (10050 E. Sonoran Vista Circle, Scottsdale, AZ 85255; smschloz@msn.com; (480) 694-8868): Mr. Schloz is believed to have knowledge of his communications with Mr. Chittick, the company's investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

34. **Stacy B. Grant** (2601 La Frontera Blvd., Round Rock, TX 78681; (602) 499-9966): Ms. Grant is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through her IRA, and her communications with Mr. Beauchamp after Mr. Chittick's death.

35. **Russell T. Griswold** (10 Suncrest Terrace, Onenta, NY 13820; rgriswold3@stny.rr.com; (607) 437-3882): Mr. Griswold is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

36. **Michael and Diana Gumbert** (607 Hurst Creek Road, Lakeview, TX 78734; anthjen@yahoo.com (480) 250-6063): Mr. and Mrs. Gumbert are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco through their Trust, and their communications with Mr. Beauchamp after Mr. Chittick's death.

37. **Nihad Hafiz** (23 Rae's Creek Lane, Coto de Caza, CA 92679; nihad@yahoo.com; (949) 246-8135): Mr. Hafiz is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

38. **Robert B. and Elizabeth A. Hahn** (15239 E. Redrock Drive, Fountain Hills, AZ 85268; hahnaz2@cox.net; (602) 769-8385): Mr. and Mrs. Hahn are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco through the Trust, and their communications with Mr. Beauchamp after Mr. Chittick's death.

39. **Ralph L. Hey** (P.O. Box 62, Westcliffe, CO 82152; hey.ralph01@gmail.com; (719) 207-1313): Mr. Hey is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

40. **Dale W. and Kathy L. Hickman** (5477 W. Heine Road, Coeur d'Alene, ID 83814; hikthestik@aol.com; (208) 215-6378): Mr. and Mrs. Hickman are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

41. **Craig and Samantha Hood** (8420 E. Cactus Wren Road, Scottsdale, AZ 85250; greeraz@gmail.com; (602)317-3753): Mr. and Mrs. Hood are believed to have knowledge of their communications with Mr. Chittick, their

investments in DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

42. **Doris and Levester Howze** (2864 E. Preston Street, Mesa, AZ 85213; dhowze@cox.net; (602) 568-0119): Ms. Howze and Mr. Howze are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

43. **Bill Bryan Hughes** (23114 N. Pedregosa Drive, Sun City West, AZ 85375; jbhok@yahoo.com; (480) 244-8863): Mr. Hughes is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

44. **Judy Kay Hughes** (23114 N. Pedregosa Drive, Sun City West, AZ 85375; jbhok@yahoo.com; (480) 244-8864): Ms. Hughes is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through her IRA, and her communications with Mr. Beauchamp after Mr. Chittick's death.

45. **Brian Imdieke** (6173 W. Victoria Place, Chandler, AZ 85226; b-imdieke@cox.net; bji6173@gmail.com; (480) 694-7850): Mr. Imdieke is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his Trust, and his communications with Mr. Beauchamp after Mr. Chittick's death.

46. **James K. Jetton and Debora I. Pekker-Jetton** (9213 SW 21st Street, Oklahoma City, OK 73128; jkjetto@yahoo.com; (904) 610-4213): Mr. and Mrs. Jetton are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

47. **Leslie W. Jones** (2176 E. Gazania Lane, Tucson, AZ 85719): Ms. Jones is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through her IRA, and her communications with Mr. Beauchamp after Mr. Chittick's death.

48. **Ralph Kaiser** (3319 E. Piro Street, Phoenix, AZ 85044; ralph@kaisertile.com; (602) 697-3189): Mr. Kaiser is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

49. **Mary Kent** (30 Laurel Court, Paramus, NJ 07652; mbencekent@yahoo.com; (201) 845-6147): Ms. Kent is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco, and her communications with Mr. Beauchamp after Mr. Chittick's death.

50. **Paul A. Kent** (23 E. 15th Street, Tempe, AZ 85281; paul_a_kent@yahoo.com; (480) 213-7231): Mr. Kent is believed to have knowledge of his communications with Mr. Chittick, investments in DenSco through the Family Trust, and his communications with Mr. Beauchamp after Mr. Chittick's death.

51. **Robert Z. Koehler** (5433 E. Osborn Road, Phoenix, AZ 85018; rzkoehler@yahoo.com; (602) 330-4624): Mr. Koehler is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

52. **Jemma Kopel** (5304 S. Marine Drive, Tempe, AZ 85283; jemmakopel@hotmail.com; (480) 696-0888): Ms. Kopel is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco, and her communications with Mr. Beauchamp after Mr. Chittick's death.

53. **LeRoy Kopel** (5304 S. Marine Drive, Tempe, AZ 85283; lkopel22@hotmail.com; (480) 839-3787): Mr. Kopel is believed to have knowledge of

his communications with Mr. Chittick, his investments in DenSco through his IRA and his Trust, and his communications with Mr. Beauchamp after Mr. Chittick's death.

54. **Robert F. Lawson** (400 Alta Vista Court, Danville, CA 94506; robertflawson@gmail.com; (480) 221-9893): Mr. Lawson is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

55. **Wayne J. Ledet** (16751 SW 23rd Street, El Reno, OK 73036; uaflyor767@yahoo.com; (405) 824-3754): Mr. Ledet is believed to have knowledge of his communications with Mr. Chittick, investments in DenSco through the Family Trust, his IRA and his Roth IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

56. **The Lee Group, Inc.** c/o Terry and Lil Lee (6541 N. Paseo Tamayo, Tucson, AZ 85750; terryleeaz@comcast.net; (520) 907-3828): Mr. and Mrs. Lee are believed to have knowledge of their communications with Mr. Chittick, the company's investments in DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

57. **Terry and Lil Lee** (6541 N. Paseo Tamayo, Tucson, AZ 85750; terryleeaz@comcast.net; (520) 907-3828): Mr. and Mrs. Lee are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

58. **Lillian Lent** (4145 E. Blue Ridge Place, Chandler, AZ 85249; (480) 813-7151): Ms. Lent is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through her Roth IRA, and her communications with Mr. Beauchamp after Mr. Chittick's death.

59. **Manual A. Lent** (4145 E. Blue Ridge Place, Chandler, AZ 85249; (480) 225-9538): Mr. Lent is believed to have knowledge of his communications with

Mr. Chittick, his investments in DenSco through her IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

60. **William Lent** (contact information to be added): Mr. Lent is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death

61. **LJL Capital, LLC** c/o Landon Luchtel (5550 Wild Rose Lane, Suite 400, West Des Moines, IA 50266; (515) 225-2800): Mr. Luchtel is believed to have knowledge of his communications with Mr. Chittick, the company's investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

62. **W. Jean Locke** (12163 Country Meadows Lane, Silverdale, WA 98383; billandjean54@centurytel.net; (360) 638-1002): Ms. Locke is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco, and her communications with Mr. Beauchamp after Mr. Chittick's death.

63. **Long Time Holdings, LLC** c/o William Swirtz (6054 W. Trovita Place, Chandler, AZ 85226; Bill.Swirtz@apollogrp.edu; (602) 315-8080): Mr. Swirtz is believed to have knowledge of his communications with Mr. Chittick, the company's investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

64. **Jim P. McArdle** (750 E. McLellan, Phoenix, AZ 85014; jim@abdc-az.com; (602) 509-8635): Mr. McArdle is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

65. **James and Lesley McCoy** (727 E. Verde Lane, Tempe, AZ 85284; (602) 390-2506): Mr. and Mrs. McCoy are believed to have knowledge of their communications with Mr. Chittick, investments in DenSco through the Trust, and their communications with Mr. Beauchamp after Mr. Chittick's death.

66. **Caro McDowell** (9010 E. Range Ride Trail, Mesa, AZ 85207; kayell121@cs.com; (480) 380-2062): Ms. McDowell is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through her Trust, and her communications with Mr. Beauchamp after Mr. Chittick's death.

67. **Marvin G. Miller and Patricia S. Miller** (701 E. Front Street #602, Coeur d'Alene, ID 83814; patsmiller@verizon.net; (208) 818-6735 Marvin; (208) 818-6734 Pat): Mr. and Mrs. Miller are believed to have knowledge of their communications with Mr. Chittick, investments in DenSco through the Family Trust, and their communications with Mr. Beauchamp after Mr. Chittick's death.

68. **Marian Minchuck** (contact information to be added): Ms. Minchuck is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco, and her communications with Mr. Beauchamp after Mr. Chittick's death.

69. **Kaylene Moss** (2524 E. Silverwood Drive, Phoenix, AZ 85048; kayleen.moss@avnet.com; (602) 692-6934; (480) 759-7811): Ms. Moss is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through her IRA, and her communications with Mr. Beauchamp after Mr. Chittick's death.

70. **Moss Family Trust** (2524 E. Silverwood Drive, Phoenix, AZ 85048; kayleen.moss@avnet.com; (602) 692-6934; (480) 759-7811): Mr. or Mrs. Moss is believed to have knowledge of their communications with Mr. Chittick, investments in DenSco through the Trust, and their communications with Mr. Beauchamp after Mr. Chittick's death.

71. **Muscat Family** c/o Vince I. Muscat (14827 S. 20th Street, Phoenix, AZ 85048; vimusat@gmail.com; (480) 460-5007): Mr. or Mrs. Muscat is believed to have knowledge of their communications with Mr. Chittick, investments in

DenSco through the Trust, and their communications with Mr. Beauchamp after Mr. Chittick's death.

72. **Non Lethal Defense, Inc.** c/o Dave Dubay (6921 Trevett Lane, Casper, WY 82604): Mr. Dubay is believed to have knowledge of his communications with Mr. Chittick, the company's investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

73. **Brian and Janice Odenthal** (1929 Canyon Drive, Coeur d'Alene, ID 83815; bjodenhal@frontier.com; (208) 755-5499): Mr. and Mrs. Odenthal are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco through their IRA, and their communications with Mr. Beauchamp after Mr. Chittick's death.

74. **Valerie J. Paxton** (1243 E. Glenhaven Drive, Phoenix, AZ 85048; vpaxto@q.com; (602) 999-4339): Ms. Paxton is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco, and her communications with Mr. Beauchamp after Mr. Chittick's death.

75. **Marlene Pearce** (94 Acacia Drive, Gilbert, AZ 85233; pearces@mailhaven.com; (480) 600-0955): Ms. Pearce is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through her IRA, and her communications with Mr. Beauchamp after Mr. Chittick's death.

76. **Jeff Phalen** (11764 N. Adobe Village Place, Marana, AZ 85658; jphalen00@aol.com; (520) 909-1018): Mr. Phalen is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco individually and through the Phalen Family Trust and his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

77. **Kevin Potempa** (P.O. Box 5156, Scottsdale, AZ 85261; (480) 5120-0362): Mr. Potempa is believed to have knowledge of his communications with

Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

78. **Preston Revocable Living Trust** c/o David M. Preston (9010 E. Range Rider Trail, Mesa, AZ 85207; dave@prestoncpa.biz; (602) 369-4418): The Trustee is believed to have knowledge of his or her communications with Denny Chittick, the Trust's investments in DenSco, and his or her communications with Mr. Beauchamp after Mr. Chittick's death.

79. **Peter and Kay Rzonca** (140 E. Rio Salado Parkway #603, Tempe, AZ 85281; krzonca1@cox.net; (602) 743-1801): Mr. and Mrs. Rzonca are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

80. **Saltire, LLC** c/o William Stewart Sheriff (155 108th Avenue, Suite 400, Bellevue, WA 98004; stewart.sherriff@cox.net; (602) 330-7776): Mr. Sheriff is believed to have knowledge of his communications with Mr. Chittick, the company's investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

81. **JoAnn Sanders** (780 E. Gregory Lane, Coeur d'Alene, ID 83815; (406) 461-4462): Ms. Sanders is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco, and her communications with Mr. Beauchamp after Mr. Chittick's death.

82. **Satellite LLC** (contact information to be added): A Member of Satellite LLC is believed to have knowledge of its communications with Mr. Chittick, its investments in DenSco, and its communications with Mr. Beauchamp after Mr. Chittick's death.

83. **Mary I. Schloz** (10050 E. Sonoran Vista Circle, Scottsdale, AZ 85255; smschloz@msn.com; (480) 694-8868): Ms Schloz is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco

individually and through the Family Trust, and her communications with Mr. Beauchamp after Mr. Chittick's death.

84. **Stanley Schloz** (10050 E. Sonoran Vista Circle, Scottsdale, AZ 85255; smschloz@msn.com; (480) 694-8868): Mr. Schloz is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco individually, through his IRA, and the Family Trust, and his communications with Mr. Beauchamp after Mr. Chittick's death.

85. **Annette M. Scroggin** (124 Abby Lane, LaPorte, IN 46350; mscroggin@me.com; (219) 608-2552): Ms. Scroggin is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through her IRAs, and her communications with Mr. Beauchamp after Mr. Chittick's death.

86. **Michael Scroggin** (124 Abby Lane, LaPorte, IN 46350; mscroggin@me.com; (219) 608-2552): Mr. Scroggin is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his IRAs, and his communications with Mr. Beauchamp after Mr. Chittick's death.

87. **William Stewart Sheriff** (155 108th Avenue, Suite 400, Bellevue, WA 98004; stewart.sherriff@cox.net; (602) 330-7776): Mr. Sheriff is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

88. **Gary E Siegford and Corrina C. Esvelt-Siegford** (11917 Hidden Valley Road, Rathdrum, ID 83858; gsiegford@msn.com; (208) 661-1842): Mr. and Mrs. Siegford are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

89. **Gary D. and Judith Siegford** (212 Ironwood Drive, Suite D, PMB #313, Coeur d'Alene, ID 83814): Mr. and Mrs. Siegford are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco

through the Trust, and their communications with Mr. Beauchamp after Mr. Chittick's death.

90. **Carsyn P. Smith** c/o Deanna M. Smith (4901 E. Tomahawk Trail, Paradise Valley, AZ 85253; dmsmith99@me.com; (602) 432-4227): Ms. Smith is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco, and her communications with Mr. Beauchamp after Mr. Chittick's death.

91. **McKenna Smith** c/o Deanna M. Smith (4901 E. Tomahawk Trail, Paradise Valley, AZ 85253): Ms. Smith is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco, and her communications with Mr. Beauchamp after Mr. Chittick's death.

92. **Branson and Saundra Smith** (9261 E. Northview Court, Tucson, AZ 85749; aztonysmith@aol.com; (520) 299-9791): Mr. or Mrs. Smith is believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco through the Trust and their IRA, and their communications with Mr. Beauchamp after Mr. Chittick's death.

93. **Tom Smith** (4901 E. Tomahawk Trial, Paradise Valley, AZ 85253): Mr. Smith is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco individually and through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

94. **Tony Smith** (9261 E. Northview Court, Tucson, AZ 85749): Mr. Smith is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

95. **Donald E. and Lucinda Sterling** (2101 Bonnie Drive, Payette, ID 83661; don-cindy@cableone.net; (208) 401-6156): Mr. and Mrs. Sterling are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

96. **Bill Swirtz** (6054 W. Trovita Place, Chandler, AZ 85226; Bill.Swirtz@apollogrp.edu; (602) 315-8080): Mr. Swirtz is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

97. **Nancy Swirtz** (6054 W. Trovita Place, Chandler, AZ 85226): Ms. Swirtz is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco, and her communications with Mr. Beauchamp after Mr. Chittick's death.

98. **Coralee Thompson** (23233 N. Pima Road #113-240, Scottsdale, AZ 85255; thompscg2@cox.net; (480) 993-8080): Ms. Thompson is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco, and her communications with Mr. Beauchamp after Mr. Chittick's death.

99. **Gary L. Thompson** (23233 N. Pima Road #113-240, Scottsdale, AZ 85255; thompscg2@cox.net; (480) 993-8080): Mr. Thompson is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

100. **James A. Trainor** (6113 S. Greensferry Road, Coeur d'Alene, ID 83814; jimmy@flytrapproductions.com; (208) 676-8072): Mr. Trainor is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

101. **Stephen Tuttle** (6428 E. Evans Drive, Scottsdale, AZ 85254; steve@taser.com; (602) 451-8529): Mr. Tuttle is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

102. **Wade A. Underwood** (P.O. Box 1311, Sisters, OR 97759; wunderwood@boxer.com; (480) 227-4658): Mr. Underwood is believed to have

knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

103. **Jolene Page Walker** (8620 N. 52nd Street, Paradise Valley, AZ 85253; jwalker113@cox.net; (480) 220-5200): Ms. Walker is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco, and her communications with Mr. Beauchamp after Mr. Chittick's death.

104. **Laurie A. Weiskopf** (P.O. Box 161097, Big Sky, MT 59716-1000): Ms. Weiskopf is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through her IRA, and her communications with Mr. Beauchamp after Mr. Chittick's death.

105. **Thomas D. Weiskopf** (P.O. Box 161097, Big Sky, MT 59716-1000): Mr. Weiskopf is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco through his IRA, and his communications with Mr. Beauchamp after Mr. Chittick's death.

106. **Carol J. Wellman** (12119 Whitley Manor Drive, Chesterfield, VA 23838; mikewellman1@comcast.net; (804) 338-3006): Ms. Wellman is believed to have knowledge of her communications with Mr. Chittick, her investments in DenSco through her IRAs, and her communications with Mr. Beauchamp after Mr. Chittick's death.

107. **Wellman Family Trust** (12119 Whitley Manor Drive, Chesterfield, VA 23838; mikewellman1@comcast.net; (804) 338-3006): A Trustee of the Wellman Family Trust is believed to have knowledge of its communications with Mr. Chittick, its investments in DenSco, and its communications with Mr. Beauchamp after Mr. Chittick's death.

108. **Brian and Carla Wenig** (19 E. Canterbury Court, Phoenix, AZ 85022; bwenig@cox.net; (602) 300-5665 Brian; (602) 703-7313 Carla): Mr. and Mrs. Wenig are believed to have knowledge of their communications with Mr. Chittick, their

investments in DenSco through the Trust, and their communications with Mr. Beauchamp after Mr. Chittick's death.

109. **Mark and Debbie Wenig** (4445 E. Desert Willow Drive, Phoenix, AZ 85044; mwenig@insight.com; (480) 227-7777): Mr. and Mrs. Wenig are believed to have knowledge of their communications with Mr. Chittick, their investments in DenSco, and their communications with Mr. Beauchamp after Mr. Chittick's death.

110. **Yusuf Yuldiz** (1609 W. 17th Street, Tempe, AZ 85281; (480) 258-8171): Mr. Yuldiz is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

111. **Leslie Jones** c/o Michael Zones (8 Briarcliff Drive, Huntington, WV 25704; czj528@hotmail.com; (304) 429-6741 ext. 2712): Mr. Zones is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

112. **Michael Zones** (8 Briarcliff Drive, Huntington, WV 25704; czj528@hotmail.com; (304) 429-6741 ext. 2712): Mr. Zones is believed to have knowledge of his communications with Mr. Chittick, his investments in DenSco, and his communications with Mr. Beauchamp after Mr. Chittick's death.

C. DenSco Borrowers and Persons Affiliated With Them

1. **Luigi Amoroso** (contact information to be added): Mr. Amoroso worked with Menaged in bidding on and acquiring properties subject to foreclosure.

2. **Veronica Castro** (contact information to be added): Ms. Castro was Scott Menaged's assistant and has knowledge of deeds, mortgages and other instruments signed by Menaged during 2013 that she notarized.

3. **Jeffrey C. Goulder** (Stinson Leonard Street LLP, 1850 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 212-8531): Mr. Goulder is an attorney who represented Scott Menaged in connection with the Term Sheet and Forbearance

Agreement. He is believed to have knowledge of those agreements and his communications with Mr. Beauchamp regarding them.

4. **Cody Jess** (Schian Walker PLC, 1850 N. Central Avenue, Suite 900, Phoenix, AZ 85004; (602) 277-1501): Mr. Jess is an attorney who represented Scott Menaged in a bankruptcy proceeding. He is believed to have knowledge of that proceeding and of his communications with Mr. Beauchamp relating to that proceeding.

5. **Scott Menaged** (c/o Molly Patricia Brizgys, 2210 S. Mill Avenue, Suite 7A, Tempe, AZ 85282; (602) 460-9013): Mr. Menaged has knowledge of his dealings with Mr. Chittick and Mr. Beauchamp.

D. Current or Former Clark Hill Attorneys and Employees

1. **Robert Anderson** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr. Anderson is an attorney who was involved in Clark Hill's representation of DenSco.

2. **David Beauchamp** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr. Beauchamp is an attorney who was involved in Clark Hill's representation of DenSco.

3. **Lindsay Grove** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Ms. Grove is a legal assistant who worked with David Beauchamp during the relevant time period and is believed to have knowledge of certain documents received or sent by Mr. Beauchamp.

4. **Ryan Lorenz** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr. Lorenz submitted proofs of claim to the Receiver in June 2017 and gave an affidavit in support of those proofs of claim which summarized certain work Clark Hill performed during its representation of DenSco.

5. **Darra Lynn Rayndon** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Ms. Rayndon is an attorney who initiated a probate proceeding on August 4, 2016 in which she and Clark Hill represented Shawna Chittick Heuer in her capacity as the Personal Representative of Denny Chittick's Estate. She is believed to have knowledge of any discussions within Clark Hill that may have occurred regarding conflicts of interest arising from the firm's separate representation of DenSco.

6. **Daniel Schenck** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr. Schenck is an attorney who was involved in Clark Hill's representation of DenSco.

7. **Michelle M. Tran** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Ms. Tran is an attorney who initiated a probate proceeding on August 4, 2016 in which she and Clark Hill represented Shawna Chittick Heuer in her capacity as the Personal Representative of Denny Chittick's Estate. She is believed to have knowledge of any discussions within Clark Hill that may have occurred regarding conflicts of interest arising from the firm's separate representation of DenSco.

E. Current or Former Bryan Cave Attorneys

1. **Ray Burgan** (Zenfinity Capital LLC, 14850 N. Scottsdale Road, No. 295, Scottsdale, Arizona, 85254; (480) 292-8111): Mr. Burgan is an attorney who was formerly associated with Bryan Cave and is believed to have knowledge of work he performed for DenSco and David Beauchamp's representation of DenSco while Beauchamp was affiliated with Bryan Cave.

2. **Michael Dvoren** (Jaburg & Wilk PC, 3200 N. Central Avenue, Suite 2000, Phoenix, Arizona 85012; (602) 248-1000): Mr. Dvoren is an attorney who was formerly associated with Bryan Cave and is believed to have knowledge of work

he performed for DenSco and David Beauchamp's representation of DenSco while Beauchamp was affiliated with Bryan Cave.

3. **Robert Endicott** (Bryan Cave LLP, One Metropolitan Square, 211 North Broadway, Suite 3600, St. Louis, MO 63102; (314) 259-2000): Mr. Endicott is an attorney who is believed to have knowledge of his communications with David Beauchamp in the summer of 2013 regarding DenSco.

4. **Kenneth L. Henderson** (Bryan Cave LLP, 1290 Avenue of the Americas, New York, NY, 10104; (212) 541-2000): Mr. Henderson is an attorney who is believed to have knowledge of his communications with David Beauchamp in the summer of 2013 regarding DenSco.

5. **Garth Jensen** (Sherman & Howard L.L.C., 633 Seventeenth Street, Suite 3000, Denver, CO 80202; (303) 297-2900): Mr. Jensen is an attorney who was formerly associated with Bryan Cave and is believed to have knowledge of his communications with David Beauchamp in the summer of 2013 regarding DenSco.

6. **Logan Miller** (Apollo Education Group, Inc., 4025 S. Riverpoint Parkway, Phoenix, AZ 85040; (800) 990-2765): Mr. Miller is an attorney who was formerly associated with Bryan Cave and is believed to have knowledge of work he performed for DenSco and David Beauchamp's representation of DenSco while Beauchamp was affiliated with Bryan Cave.

7. **Robert Miller:** (Bryan Cave LLP, Two N. Central, Suite 2100, Phoenix, Arizona 85004; (602) 364-7099): Mr. Miller is an attorney who communicated with David Beauchamp in January 2014 in connection with the demand letter described above and is believed to have knowledge of those communications.

8. **Robert Pedersen** (Bryan Cave LLP, 1290 Avenue of the Americas, New York, NY, 10104; (212) 541-2000): Mr. Pedersen is an attorney who is believed to have knowledge of his communications with David Beauchamp in the summer of 2013 regarding DenSco.

9. **Nancy Pohl** (Gallagher & Kennedy PA, 2575 E. Camelback Road, Suite 1100, Phoenix, Arizona 85016; (602) 530-8052): Ms. Pohl is an attorney who was formerly associated with Bryan Cave and is believed to have knowledge of work she performed for DenSco and David Beauchamp's representation of DenSco while Beauchamp was affiliated with Bryan Cave.

10. **Gus Schneider** (Bryan Cave LLP, Two N. Central, Suite 2100, Phoenix, AZ 85004; (602) 364-7099): Mr. Schneider is an attorney who is associated with Bryan Cave and is believed to have knowledge of work he performed for DenSco and David Beauchamp's representation of DenSco while Beauchamp was affiliated with Bryan Cave.

11. **Elizabeth Sipes** (Bryan Cave LLP, 1700 Lincoln Street, Suite 4100, Denver, CO 80203; (303) 861-7000): Ms. Sipes is an attorney who is believed to have knowledge of her communications with David Beauchamp in the summer of 2013 regarding DenSco.

12. **Jonathan Stern** (contact information not known): Mr. Stern is an attorney who is associated with Bryan Cave and is believed to have knowledge of work he performed for DenSco and David Beauchamp's representation of DenSco while Beauchamp was affiliated with Bryan Cave.

13. **Randy Wang** (Bryan Cave LLP, One Metropolitan Square, 211 N. Broadway, Suite 3600, St. Louis, MO 63102; (314) 259-2000): Mr. Wang is an attorney who is believed to have knowledge of his communications with David Beauchamp in the summer of 2013 regarding DenSco.

14. **Mark Weakley** (Bryan Cave LLP, One Boulder Plaza, 1801 13th Street, Suite 300, Boulder, CO 80302; (303) 444-5955): Mr. Weakley is an attorney who is believed to have knowledge of his communications with David Beauchamp in the summer of 2013 regarding DenSco.

F. Current or Former Gammage & Burnham Attorneys

1. **Christopher L. Raddatz** (Gammage & Burnham, PLC, Two N. Central Avenue, 15th Floor, Phoenix, AZ 85004; (602) 256-0566): Mr. Raddatz is an attorney who represented the Estate of Denny Chittick and Shawna Chittick Heuer in her capacity as the Personal Representative of Denny Chittick's Estate.

2. **Kevin R. Merritt** (Gammage & Burnham, PLC, Two N. Central Avenue, 15th Floor, Phoenix, AZ 85004; (602) 256-0566): Mr. Merritt is an attorney who in 2007 advised DenSco regarding its loan agreements. Beginning in August 2016, he represented the Estate of Denny Chittick and Shawna Chittick Heuer in her capacity as the Personal Representative of Denny Chittick's Estate.

3. **James F. Polese** (Gammage & Burnham, PLC, Two N. Central Avenue, 15th Floor, Phoenix, AZ 85004; (602) 256-0566): Mr. Polese is an attorney who represented the Estate of Denny Chittick and Shawna Chittick Heuer in her capacity as the Personal Representative of Denny Chittick's Estate.

G. Persons Affiliated With the Arizona Corporation Commission, Securities Division

1. **Gary Clapper** (1300 W. Washington, Third Floor, Phoenix, AZ 85007; (602) 542-0152): Mr. Clapper is Chief Investigator, Arizona Corporation Commission, Securities Division. He is believed to have knowledge of the ACC's investigation of DenSco in August 2016, events leading to the ACC's filing of an application for a preliminary injunction and the appointment of a receiver, and his communications with Mr. Beauchamp.

2. **Wendy Coy** (1300 W. Washington, Third Floor, Phoenix, AZ 85007; (602) 542-0633): Ms. Coy is Director of Enforcement, Arizona Corporation Commission, Securities Division. She is believed to have knowledge of the ACC's investigation of DenSco in August 2016, events leading to the ACC's filing of an application for a preliminary injunction and the appointment of a receiver, her communications with Mr. Beauchamp.

H. The Receiver, His Employees and Attorneys

1. **Peter S. Davis** (c/o Colin Campbell and Geoffrey Sturr, Osborn Maledon, P.A., 2929 N. Central Avenue, Suite 2100, Phoenix, AZ 85012; (602) 640-9377): Mr. Davis has knowledge of work he has performed as DenSco's Receiver, as set forth in reports he has issued in the course of his work.

2. **Ryan W. Anderson** (Guttilla Murphy Anderson, 5415 E. High Street, Suite 200, Phoenix, AZ 85054; (480) 304-8300): Mr. Anderson is an attorney who represents the Receiver. He has knowledge of the receivership proceeding and his communications with participants in that proceeding.

3. **Sara Beretta** (c/o Colin Campbell and Geoffrey Sturr, Osborn Maledon, P.A., 2929 N. Central Avenue, Suite 2100, Phoenix, AZ 85012; (602) 640-9377): Ms. Beretta is a Director of Simon Consulting and has knowledge of DenSco's books and records and work performed by the Receiver, as set forth in reports he has issued in the course of his work.

I. Lenders Who Negotiated With Chittick and Menaged During January 2014

1. **Craig Cardon** (contact information to be added): Mr. Cardon is a member of Azben Limited, LLC and is believed to have knowledge of his communications with Chittick and Menaged regarding the January 6, 2014 demand letter discussed above.

2. **Daniel Diethelm** (contact information to be added): Mr. Diethelm is a manager of Geared Equity, LLC and is believed to have knowledge of his communications with Chittick and Menaged regarding the January 6, 2014 demand letter discussed above

3. **Lynn Hoebing** (contact information to be added): Mr. Hoebing is a manager of 50780, LLC and is believed to have knowledge of his communications with Chittick and Menaged regarding the January 6, 2014 demand letter discussed above.

J. Other Persons

1. **Rick Carney** (contact information to be added): Mr. Carney was formerly affiliated with Quarles & Brady and provided legal services to DenSco as described above. He is believed to have knowledge of those services and his communications with Denny Chittick and David Beauchamp relating to those services.

2. **Gregg Reichman** (believed to be c/o Andrew Abraham, Burch & Cracchiolo, P.A., 702 E. Osborn Road, Suite 200, Phoenix, AZ 85014; (602) 234-9917): Mr. Reichman is a current or former member of Active Funding Group, LLC. He is believed to have knowledge of dealings between Active Funding Group, LLC and Menaged.

V. PERSONS WHO HAVE GIVEN STATEMENTS

1. **Luigi Amoroso** (contact information to be added): Mr. Amoroso gave a deposition in the receivership proceeding on December 14, 2016. The Receiver's counsel is the custodian of the transcript of that deposition.

2. **Robert Anderson** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr. Anderson gave a deposition in this case, the original transcript of which is in the possession of the Receiver's counsel.

3. **David Beauchamp** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr. Beauchamp executed a declaration dated August 17, 2016 that was submitted to the court in the Receivership Proceeding in support of the Estate's Recommendations re Receiver and Attorney/Client Privilege. The Estate's counsel, Gammage & Burnham, is believed to be the custodian of the original declaration. Mr. Beauchamp has also given a deposition in this case, the original transcript of which is in the possession of the Receiver's counsel.

4. **Shawna Chittick Heuer** (c/o James Polese, Gammage & Burnham, PLC, Two N. Central Avenue, 15th Floor, Phoenix, AZ 85004; (602) 256-0566): Ms. Heuer

gave a deposition in this case. Clark Hill's counsel is believed to be the custodian of the original transcript of that deposition.

5. **Scott Menaged** (c/o Molly Patricia Brizgys, 2210 S. Mill Avenue, Suite 7A, Tempe, AZ 85282; (602) 460-9013): Mr. Menaged gave a deposition in his bankruptcy proceeding. The Receiver's counsel is the custodian of the transcript of that deposition.

6. **Scott Menaged** (c/o Molly Patricia Brizgys, 2210 S. Mill Avenue, Suite 7A, Tempe, AZ 85282; (602) 460-9013): On December 8, 2017, Mr. Menaged was interviewed by Ken Frakes, Special Counsel to the Receiver, before a court reporter. Mr. Frakes is believed to be the custodian of the transcript of that interview.

7. **Ryan Lorenz** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr. Lorenz gave an affidavit in support of notices of claim Clark Hill submitted to the Receiver. He is believed to be the custodian of the original affidavit.

8. **Daniel Schenck** (c/o John DeWulf, Coppersmith Brockelman, PLC, 2800 N. Central Avenue, Suite 1200, Phoenix, AZ 85004; (602) 224-0999): Mr. Schenck gave a deposition in this case, the original transcript of which is in the possession of the Receiver's counsel.

VI. EXPERT WITNESSES EXPECTED TO BE CALLED AT TRIAL

The Receiver will disclose the identity and opinions of expert witnesses it plans to call at trial in accordance with the scheduling order that will be entered in this matter.

VII. COMPUTATION AND MEASURE OF DAMAGES

The Receiver will rely on expert testimony to testify about damages DenSco suffered as a result of Defendants' conduct.

The Receiver has previously disclosed to Defendants' counsel the following preliminary information relating to damages and prejudgment interest:

Prejudgment interest is sought on three different types of loans that were outstanding on Chittick's death, as summarized in the Receiver's December 23, 2016 report: *(i)* a $5 million workout loan made to 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.

A. $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. **Appendix A** is a schedule (numbered RECEIVER_001332-001336) 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.

B. $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. **Appendix B** is a schedule (numbered RECEIVER_001337) 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.

C. 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. **Appendix C** is a schedule (numbered RECEIVER_001338-001339) showing how that amount was calculated. The schedule includes two loans made on the Lobo property, one on August 14, 2013 and another on January 22, 2014. They are included in this schedule because DenSco categorized them as non-workout loans.

Had Clark Hill properly advised DenSco during the first week of January 2014, DenSco would have severed its relationship with Menaged, not made any new loans to Menaged, sought to rescind the initial Lobo losses, and not suffered the losses set forth in the attached schedule. Alternatively, had Clark Hill properly advised DenSco about documenting the non-workout loans, DenSco would not have suffered losses on the loans made after the second Lobo loan.

A yearly calculation of prejudgment interest on DenSco's $28,332,300.00 loss is $2,833,230.00.

D. 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.

VIII. ANTICIPATED TRIAL EXHIBITS

A list of exhibits the Receiver presently anticipates using at trial is attached as **Appendix D.**

IX. DOCUMENTS THAT MAY BE RELEVANT

1. Documents maintained in the Document Depository established by the Receiver pursuant to an underlying Court Order dated January 1, 2017 in the matter entitled *Ariz. Corp. Comm'n v. DenSco Investment Corp.*, Maricopa County Superior Court CV2016-014142. The most recent index is attached as **Appendix E.** Certain documents relevant to the receivership are also publicly available on a website maintained by the Receiver: http://denscoreceiver1.godaddysites.com/.

a. The Receiver's counsel has caused to be deposited into the Depository documents received from Defendants' counsel and third parties, and will continue to do so as this matter proceeds.

b. The Receiver's counsel will provide Defendants' counsel with updated indices of documents maintained in the Document Depository as they become available.

c. The Receiver also updates the website periodically.

2. The Receiver will rely on documents maintained in the Document Depository and on the Receiver's website to support his claims in this action, as well as publicly available documents such as the recorded instruments referenced in the factual narrative above.

3. The Receiver's counsel plans to compile, number, and produce to Defendants' counsel certain documents it has obtained from the Depository, the Receiver's website, and other publicly available documents that the Receiver may designate as trial exhibits.

a. The Receiver's March 27, 2018 production (Second Disclosure Statement) included documents numbered RECEIVER_000001- 001345.

i. The March 27, 2018 production included copies of the DenSco Corporate Journals for 2013, 2014, 2015 and 2016, which have been numbered RECEIVER_000001-000164. They replaced copies of those documents that were produced on September 5, 2017 and which were incorrectly numbered DIC0011918-0012081.

ii. The March 27, 2018 production included publicly available documents, such as the recorded instruments referenced in the factual narrative above (RECEIVER_000165-RECEIVER_001345).

b. The Receiver's May 15, 2018 production (Third Disclosure Statement) included Clark Hill'documents numbered RECEIVER_001325-RECEIVER_001497.

c. The Receiver's July 11, 2018 production (Fourth Disclosure Statement) included Clark Hill's notices of claim, which were numbered RECEIVER_001498-RECEIVER_001538, and publicly recorded documents, which were numbered RECEIVER_001539-RECEIVER_001548.

d. This November 14, 2018 production (Fifth Disclosure Statement) includes documents obtained from the Document Depository numbered RECEIVER_001549-RECEIVER_001711, which are provided on the accompanying disc.

e. Other documents from the Document Depository, the Receiver's website, or publicly available sources that the Receiver may designate as trial exhibits will be numbered and produced through one or more supplemental disclosure statements.

4. In addition to the documents set forth above, on October 30, 2018, the Receiver's counsel produced to Defendants' documents evidencing communiations

between the Receiver and the Estate of Chittick, which were numbered RECEIVER_001712-002517.

DATED this 14th day of November, 2018.

OSBORN MALEDON, P.A.

By M.T. Sturr
Colin F. Campbell
Geoffrey M.T. Sturr
Joshua M. Whitaker
2929 N. Central Avenue, Suite 2100
Phoenix, Arizona 85012-2793

Attorneys for Plaintiff

COPY of the foregoing hand delivered this 14th day of November, 2018, to:

John E. DeWulf
Coppersmith Brockelman PLC
2800 N Central Ave., Suite 1900
Phoenix, AZ 85004
jdewulf@cblawyers.com

Attorneys for Defendants

Debra Thos
7836486

VERIFICATION

Peter S. Davis hereby states as follows:

1. I am the court-appointed receiver of DenSco Investment Corporation and in that capacity am the plaintiff in this action.

2. I have reviewed Plaintiff's Fifth Disclosure Statement.

3. That document was prepared by Special Counsel, Osborn Maledon, and reflects information that Special Counsel has compiled based on its review of relevant documents.

4. To the best of my knowledge, information and belief, the information contained in Plaintiff's Fifth Disclosure Statement is accurate.

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

Executed on November 14, 2018.

Peter S. Davis

7837104

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

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

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

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)

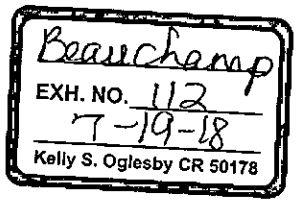
Loan Date	Loan No.	Property Address	City, Zip	Loan Amount
06/13/16	8072	11843 N 151st Drive	Surprise, 85379	264,100.00
06/13/16	8073	3221 E Campbell Rd	Gilbert, 85234	256,700.00
06/13/16	8074	28318 N 246th Drive	Wittmann, 85361	213,200.00
06/13/16	8075	2127 N 124th Drive	Avondale, 85323	246,800.00
06/13/16	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 No. 45

Beauchamp, David

DenSco / Ga

From: Scott Menaged [smena98754@aol.com]
Sent: Friday, June 14, 2013 12:20 PM
To: Denny Chittick
Cc: Beauchamp, David
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

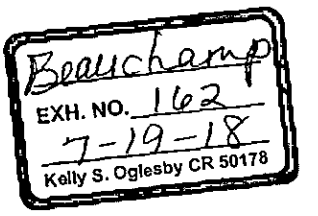
6/14/2013

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>

6/14/2013

Exhibit No. 46



Beauchamp, David G.

From: Miller, Robert <rjmiller@BryanCave.com>
Sent: Wednesday, January 15, 2014 11:03 AM
To: Beauchamp, David G.
Subject: RE: Possible Meeting

Totally understand.

Bob

-----Original Message-----
From: Beauchamp, David G. [mailto:DBeauchamp@ClarkHill.com]
Sent: Wednesday, January 15, 2014 10:59 AM
To: Miller, Robert
Subject: Possible Meeting

Bob:

Please know that under the circumstances I do not want to attend any meetings at Bryan Cave. Hopefully, we can pick another location for any meetings that might be necessary. My last few months there were more than a little difficult and I do not want to go back to that.

Sincerely, 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

IRS Circular 230 Disclosure: To ensure compliance with 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 or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.
bcllp2014

Exhibit No. 47

DenSco / 2013

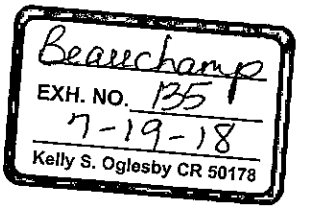
Tom Denny Chittick (8/26/13) 602-469-3001

- Left message
  - need to work on the latest version of POM that Denny has w/ the prior experience chart's
  - need to discuss timing & update

Tom Denny Chittick (8/26/13)

- explained delay w/ POM
  - need to get copy of Denny's latest POM & make changes to it
  - BC will be sending a letter to Denny & letting Denny decide if he wants files kept at BC or moved to CH

Exhibit No. 48



From: Daniels, Tina
Sent: Fri 8/30/2013 10:07 PM (GMT-00:00)
To: dcmoney@yahoo.com
Cc: Beauchamp, David
Bcc:
Subject: David G. Beauchamp
Attachments: DGB - Densco.PDF

Please see attached correspondence from attorney David G. Beauchamp.

BRYAN CAVE

Cristina (Tina) Daniels
Assistant to R. Neil Irwin, David G. Beauchamp
& Marcel Valenta
2 North Central Avenue, Suite 2200
Phoenix, AZ 85004-4406
Direct line: (602) 364-7312
Facsimile: (602) 364-7070
e-mail: tina.daniels@bryancave.com

BRYAN CAVE

August 30, 2013

U.S. Mail and
Email: dcmoney@yahoo.com

PERSONAL AND CONFIDENTIAL

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

Dear Denny:

This is to inform you that David G. Beauchamp will be leaving Bryan Cave LLP effective August 31, 2013, to join the law firm of Clark Hill PLC.

In light of his departure, we are writing to discuss the disposition of your active and any inactive files located in our Phoenix office. The attached report is a list of your Bryan Cave LLP matters in the Phoenix office, including any files which have been inactive. It is important that you instruct us to release or retain each matter individually.

You are entitled to those documents currently in Bryan Cave LLP's possession relating to legal services performed by us for you, excluding internal accounting records and other documents not reasonably necessary to your representation. This includes personal or corporate documents or property. For your convenience, we have enclosed with this letter an index of each matter. If you choose to have some or all of the above-described files returned to you, Bryan Cave will arrange to have the files transferred or delivered to you. Under Bryan Cave's document retention policy, inactive files are destroyed ten years after a matter is closed. Please indicate any documents or property you would like returned to you.

Once you have completed your directions, please sign and date the attached page in the space provided and return the letter to the attention of David Beauchamp, at his contact information below, with copies to Jay Zweig at Bryan Cave's Phoenix office. You may do this by facsimile to David at (480) 684-1199, and to Jay at (602) 716-8300; or you may send an e-mail with your instructions to David Beauchamp, at dbeauchamp@clarkhill.com, with a copy to Jay Zweig at jay.zweig@bryancave.com; or you can return it via U.S. Mail. However you choose to respond, we would appreciate a written response by close of business on September 6, 2013. This will facilitate the efficient handling of your files.

Bryan Cave LLP
One Renaissance Square
Two North Central Avenue
Suite 2200
Phoenix, AZ 85004-4406
Tel (602) 364-7000
Fax (602) 364-7070
www.bryancave.com

David G. Beauchamp's contact information as of September 1, 2013 will be as follows:

Clark Hill PLC
14850 N. Scottsdale Road, Suite 500
Scottsdale, AZ 85254
Office: (480) 684-1100
Mobile: (602) 319-5602
Fax (480) 684-1199

In the meantime, please contact us if you have any questions at the following numbers:
David Beauchamp: (602) 319-5602 Jay Zweig: (602) 364-7300

Very truly yours,

David G. Beauchamp

Jay Zweig

746572.8

MATTER LIST

Please indicate in the spaces provided below those files you wish delivered to you, delivered to David Beauchamp at Clark Hill, PLC, retained by Bryan Cave LLP for handling, retained by Bryan Cave in offsite storage or destroyed. Any files that are not specifically marked will be retained under Bryan Cave's document retention policy and destroyed ten years after a matter is closed. In addition, please notify Bryan Cave LLP of any personal or corporate documents or property retained in these files. Such personal material will be returned to you at this time. Your signature is an acknowledgment of Bryan Cave LLP's retention policy.

Matter Name	Matter Number	Returned to Client	Delivered to David Beauchamp at Clark Hill PLC	Retained by Bryan Cave	Destroyed
C068584 – DenSco Investment Corp.					
2007 Private Offering	0224518	☐	☐	☐	☐
2008 Private Offering	0220088	☐	☐	☐	☐
2009 Private Offering	0232360	☐	☐	☐	☐
2011 Private Offering	0322546	☐	☐	☐	☐
2013 Private Offering	0352992	☐	☐	☐	☐
AZ Practice Review	0326715	☐	☐	☐	☐
Blue Sky Issues	0235165	☐	☐	☐	☐
Formation of affiliated entity w/partners	0323475	☐	☐	☐	☐
Garnishments	0307850	☐	☐	☐	☐
General Corporate	0219815	☐	☐	☐	☐

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By: _____ Date: _____
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Exhibit No. 49

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 No. 50

Beauchamp, David

DenSco 2013 pam

From: Denny Chittick [dcmoney@yahoo.com]
Sent: Wednesday, May 01, 2013 4:46 PM
To: Beauchamp, David
Subject: Re: Updated Memorandum

Beauchamp
EXH. NO. 105A
7-19-18
Kelly S. Oglesby CR 50178

good deal! i shouldn't be fined, i never done anything wrong!

anytime between 10:30 and 1:30, that way i circumvent traffic and i might have the boys after 3:30
thx
dc

DenSco Investment Corp
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602-469-3001
602-532-7737 f

From: "Beauchamp, David" <David.Beauchamp@bryancave.com>
To: 'Denny Chittick' <dcmoney@yahoo.com>
Sent: Wednesday, May 1, 2013 4:40 PM
Subject: RE: Updated Memorandum

Denny:

My suggestion to contact ADFI was on an anonymous basis so that it would not get tied back to you. Our office handled 4 or 5 of those and yours was the only one that escaped without a fine.

Let me know what time next Thursday would work.

Best regards, David

David G. Beauchamp, Esq.
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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: Wednesday, May 01, 2013 4:34 PM
To: Beauchamp, David
Subject: Re: Updated Memorandum

ok i'll re-read it and see what i come up with. thrusday would

be better, tuesday I have boys in the afternoon, and i don't want to pay for what they would break in your office!

i never heard back after your letter. so no don't raise any questions. i've never been contacted again and don't want to be!
thx
dc

DenSco Investment Corp
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602-469-3001
602-532-7737 f

From: "Beauchamp, David" <David.Beauchamp@bryancave.com>
To: 'Denny Chittick' <dcmoney@yahoo.com>
Sent: Wednesday, May 1, 2013 4:18 PM
Subject: Updated Memorandum

Denny:

As always, the first part is to identify anything that might be relevant to a potential investor that has happened to the company or the industry in the last couple of years. If possible, please review your current offering memorandum and highlight (or flag) any business practices or issues that have changed or are not exactly as things are being done currently. If you have time to do that before next week, we could meet next Tuesday afternoon or Thursday afternoon if you would be available to meet to discuss your business and any changes that your company, the industry or your management has experienced over the last couple of years. We can then discuss the relevance and decide what needs to be reflected in the offering (probably all changes, because that is the only safe approach)?

Did you ever hear back from the AZ Department of Financial Institutions concerning their inquiry into DenSco? Should I put a call into ADFI to determine if they are still continuing the general investigation or have they moved in a different direction? [Note: ADFI has assigned almost all of its investigators and reviewers to this investigation and to other activities that result in fines and other money raising activities at the expense of completing its internal audits of banks, trust companies and reviewing applications for such activities.]

Denny, please let me know your schedule and if you want to do this next week or the following week.

All the best, David

David G. Beauchamp, Esq.
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(602) 716-8060 | Direct Fax
(602) 319-5602 | Mobile Tel.

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Wednesday, May 01, 2013 2:51 PM
To: Beauchamp, David
Subject: Re: referall

it's the year we have to do the update on the memorandum, when do you want to start?
dc

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602-532-7737 f

From: "Beauchamp, David" <David.Beauchamp@bryancave.com>
To: "'dcmoney@yahoo.com'" <dcmoney@yahoo.com>
Sent: Wednesday, May 1, 2013 2:41 PM
Subject: Re: referall

Thank you for the referral and the notice.

Best, David

(Sent from my Blackberry wireless)
David G. Beauchamp, Esq.
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(602) 319-5602 | Mobile Tel.

From: Denny Chittick [mailto:dcmoney@yahoo.com]
Sent: Wednesday, May 01, 2013 01:56 PM
To: Beauchamp, David
Subject: referall

i talked to a a guy name Kevin Buckmaster, he was referred to me by a escrow agent, he wanted to invest, or start his own, i have no relationship with me.
he may call you.
i'm requesting no special treatment.

thx
dc

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